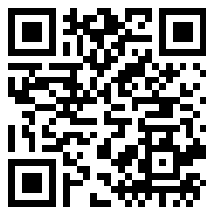


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# DOCUMENTS ON BRITISH FOREIGN POLICY 1919—1939

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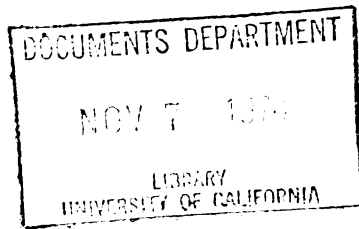
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AND

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The Conferences of Cannes,  
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1922

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## PREFACE

THIS volume contains the minutes of the Conferences of Cannes (January 4-13, 1922) and Genoa (April 9-May 19, 1922) and related documents. It therefore continues the documentation of Volume XV (*International Conferences and Conversations 1921*). It contains also a documentation (May 23-July 21, 1922) relating to the Conference of The Hague. As is explained in No. 143, n. 3 and No. 155, n. 1, there are no British Secretaries' minutes of the meetings of the various commissions at this Conference: the minutes were kept and later published by the Netherlands' Department of Foreign Affairs, under the title: *Conference at The Hague. I. Non-Russian Commission. II. Russian Commission, June 15-July 20, 1922*. These minutes, although frequently referred to, are not reproduced in this volume. In this volume the documentation provided consists chiefly of the telegrams and despatches transmitted to the Foreign Office by the British Empire Delegation.

It has not been possible (nor desirable) to include in this volume a documentation of all the international conferences and conversations of 1922. The documentation of the conferences and conversations relating to the Near East have been published in Volumes XVII and XVIII, and that of the Fifth Conference of London (August 7-14, 1922), dealing with German Reparation, will be published in Volume XX. It is not, however, our intention to publish the minutes of the Inter-Allied Conference on Reparations and Inter-Allied Debts held in London (December 9-11, 1922): the reports and secretaries' notes of these conversations (along with those of the Paris Conference of January 2-4, 1923), are printed in Cmd. 1812 (*Miscellaneous No. 3, 1923*), His Majesty's Stationery Office, London, 1923. As for the Anglo-Italian conversations held in London (June 26-July 7, 1922), it is hoped to publish a record of these in a section on Western Europe of a volume which is as yet only in a preliminary stage of preparation.

The three conferences (Cannes, Genoa, and The Hague) covered by this volume, although very different in their composition and procedures, nevertheless provide a documentation which has some unity, in that they were all concerned with the question of Russia. The Conference of Cannes, originally arranged for January 4 by M. Briand and Mr. Lloyd George in London on December 21, 1921 (see Vol. XV, p. 776), was designed 'to go beyond the immediate problem of Reparations and endeavour to deal with the economic situation of Europe generally with a view to reaching greater stability' (Vol. XV, p. 761). As Mr. Lloyd George stated in his meeting with M. Briand on December 19, 1921, the problem of German reparation was 'one of increasing German exports' and the only way to do this 'was to open up Eastern and Central Europe to German trade' and to restore, at least in some measure, Germany's pre-war trading position (Vol. XV, pp. 764-5). This view was not completely acceptable to M. Briand, who

believed that there was no immediate market in Russia and that Germany was capable of paying reparations, if only the German Government were helped, even in a minor way, by big business men in Germany (p. 765). Nevertheless, on December 20, the French financial expert, M. Loucheur, (the minister for the liberated regions of France) discussed with Sir Robert Horne (the Chancellor of the Exchequer), Sir Laming Worthington-Evans (Minister without Portfolio), and Herr Rathenau (former German Minister of Reconstruction) the possibility of establishing a central syndicate, on which all European countries would be represented by industrialists of high standing, it being recognized that the United States of America would be unlikely, at all events in the first instance, to participate in that arrangement. This syndicate would initially have £10 million capital, which sum would need to be considerably increased if large reconstruction work were to be undertaken. In addition, there should be local syndicates for particular ventures and these (upon which the central syndicate should be represented) should raise their own capital. The meeting had then gone on to discuss the possible recognition, *de jure* as well as *de facto*, of the Russian Soviet Government, the possibility of putting the Russian railway system on an efficient basis, and the control of Russian raw materials. It also discussed the part that Germany should play in the arrangements for the economic reconstruction of Europe and the means of earmarking a proportion of German profits for reparation payments.

When these proposals were discussed in London on December 21, 1921, M. Briand pointed out that, owing to French public opinion, which was antagonistic to Russia, it would not be possible for the French Government to consider the recognition of the Soviet Government at an early stage; and he went on to advocate that the scheme for the reconstruction of Europe should make no specific mention of Russia. Not until the Soviet Government made some gesture showing that it would behave in future as a Government should behave, would the attitude of the French public and the French Parliament begin to change: not until it was clear to the French bondholders that they might expect to get their dividends from the Russian revolutionaries would they become advocates of the Russian revolution. France, however, was prepared, subject to these reservations, to agree with the policy which Mr. Lloyd George had recommended. An organization should be established 'having in view as broad a scheme as possible, covering Europe generally and proceeding by a natural process to Russia. . . . Provided this was not pointed out to the public in advance the public would accept the fact when it happened, particularly if Lenin and Trotsky recognised all their obligations and made a gesture of restoring private property'. (Vol. XV, p. 784.)

M. Briand's qualified acceptance of Mr. Lloyd George's schemes was accompanied by his hope of the conclusion of an alliance between France and Great Britain—an alliance which had been proposed to Lord Curzon by the Count de Saint-Aulaire, the French Ambassador, on December 5, and by M. Briand himself on December 20 (see Lord Curzon's Memorandum

of December 28, Vol. XVI, No. 768). On December 21, M. Briand raised the matter with Mr. Lloyd George and asked him for a sketch of a proposed alliance. Mr. Lloyd George, who pointed out some of the objections to an extensive alliance from the British Government's point of view, held out hopes for a 'plain guarantee to France against invasion', and he promised to discuss the matter further with M. Briand at Cannes before the meeting of the Supreme Council.

Preliminary conversations between M. Briand and Mr. Lloyd George began at Cannes on January 4, 1922 and these included a discussion of the means of giving to France a guarantee (see No. 1). Mr. Lloyd George not only reiterated British objections to an offensive and defensive alliance, but hinted that even before Great Britain could guarantee France against German invasion certain Anglo-French difficulties relating to the Near East and Tangier, to the French submarine construction programme, and to the French attitude towards the European economic conference, must be overcome. Of most immediate importance was the last, which also raised the question of the attitude of France towards Russia, and it was these two questions, along with that of German reparation, which chiefly occupied the Allied Powers at the meetings of the Cannes Conference between January 6 and 13, 1922 (Nos. 5-25).

On the first day of the Conference a resolution moved by Mr. Lloyd George and passed by the Allied Powers stated that 'an economic and financial conference should be summoned in February or early March to which all the Powers of Europe, including Germany, Russia, Austria, Hungary and Bulgaria should be invited to send representatives'. That same resolution went on to formulate six fundamental conditions necessary to secure 'the co-operation of all nations in the restoration of formal prosperity' and ended with the statement that the Allied Powers would be prepared to accord official recognition of the Russian Government provided that Government accepted those conditions (No. 6, Appendix). The following day an Allied Commission on Reparations and a Committee of Financial Experts began their labours (No. 7), and another Commission opened discussions on the proposed economic conference and the problems connected with the establishment of an International Association or Corporation (No. 8). On January 9 a committee of five was set up to discuss the agenda of the economic conference (which was to be held at Genoa) and the form of invitation to it (No. 14). On both the agenda and the form of invitation, particularly that to Russia, there was a considerable divergence of views between the French and British (see Nos. 15, 19 and 20). The French wished to rule out all discussion of German reparation, and to state to the Soviet Government in unmistakable terms the assurances and guarantees required by the Allied Powers. On January 10 a compromise was reached on the form of invitation to Russia (see No. 19, Appendix I) and the next day an outline agenda for the Genoa Conference was agreed (No. 21, Appendix II and Appendix III). The question, however, of how far the economic conference should be free to deal with German reparation

(the French contention being that it might make inroads into the Treaty of Versailles) remained unresolved.

The Reparation question came up for full discussion on January 12 (Nos. 22 and 23) when a Report by the Reparation Commission was considered and when the German delegates and experts were heard, it being put to them that they should explain why they had not been able to comply with the terms of the Schedule of Payments of May 5, 1921 (see Vol. XV, No. 83, Appendix 2, and No. 86, n. 6). But while Herr Rathenau was making the German reply the news arrived that M. Briand had resigned from office (see No. 23, n. 3). This event, in the words of Mr. Lloyd George, made it 'quite impossible to do any more business at Cannes' with regard to Reparation. The plan, however, for the Genoa Conference 'must be regarded as a completed matter'. The new French Government, when formed, 'could not expect the Russian Government to honour the obligations of the Czar' if they 'failed to honour the decisions taken by the Allied Supreme Council' (No. 25).

It was agreed that the Genoa Conference should, subject to any later adjustment, meet on March 8. For one reason or another, however, the conference did not meet until April 9. The new French Government, formed by M. Poincaré on January 15, demanded that greater precision should be given to certain points raised by the Agenda agreed upon at Cannes (see No. 26, ff.), and failed to send promptly experts to London to prepare for the Conference (see No. 32, n. 6). To expedite matters, Mr. Lloyd George visited M. Poincaré on February 25 at Boulogne (No. 34). M. Poincaré, while professing readiness to proceed with the economic conference in due course, stated that French opinion needed to be assured on three points: 'first, that at Genoa there should be no encroachment on the Covenant of the prerogatives of the League of Nations; secondly, that no clause of the peace treaties signed at Paris should be put in discussion; thirdly, that the question of reparations should not be raised, because neutrals would be present who were not parties to these questions.' If Mr. Lloyd George was in accord with him on these three points, then the French Government would be ready to co-operate with the British and other Governments at Genoa. Economic and financial questions should be left to discussion by experts: the immediate need was the 'closing up of the Entente and clearing up outstanding political questions'.

Mr. Lloyd George agreed that the 'question of reparations must not be settled by the Genoa Conference, but through the machinery set up by the Treaty of Versailles'. He also agreed that the Genoa Conference should not be permanent and arrogate to itself the functions of the League of Nations. He could not agree, however, to M. Poincaré's suggestion that the League should be entrusted with application of the decisions taken at Genoa: for one thing, Russia would probably object and in any case the League was not a suitable organization for this task. But he was prepared to concede that the problem of disarmament was a matter for the League and should not, therefore, be raised at Genoa.



M. Poincaré insisted that the opening of the Conference should be postponed until April 10. He could not promise to attend personally, but France would be represented: in the meantime, as agreement had been reached on the principal political issues the 'economic experts should be set to work as rapidly as possible in regard to economic questions' (No. 34). When, however, Sir S. Chapman (Permanent Secretary of the Board of Trade) visited M. Seydoux (of the Commercial Relations Department of the French Foreign Office) in Paris on March 8, he found that the French experts had made very little progress (No. 41). By that time the British experts (an interdepartmental committee) had already drawn up suggestions for resolutions to be submitted at Genoa together with a draft convention embodying their substance (No. 44, Enclosures 1 and 2). Other Powers hastened to make preparations. The Russians, who had accepted with alacrity the invitation to attend the Conference (see No. 46, Enclosure), promptly submitted their views (see No. 46). Experts of the Little Entente Powers and Poland met at Belgrade on March 9 (see No. 36, n. 4 and No. 47); and on March 18 the Northern and Western Neutrals assembled at Stockholm for an exchange of views (see No. 60).

From the time it was first mooted until it ended in failure in May, 1922, the Genoa Conference was regarded in the Foreign Office as ill-conceived (see Vol. XVI, No. 765, n. 1) and ill-conducted. Following the conclusion of the Trade Agreement with Russia on March 16, 1921 (see Vol. XII, Chapter V), the Foreign Office had conducted with Russia negotiations on a whole variety of topics, including those of famine relief and debts, which had been discussed by the International Commission for Russian Relief at a conference held in Brussels on October 6-8, 1921 (see No. 2, n. 2). In its report the Commission had stated the conditions on which foreign financial assistance to Russia would be forthcoming. Following the publication of this report in the Western press, Russia had communicated a Note,<sup>1</sup> dated October 28, to the Allied Powers, expressing in somewhat ambiguous terms a readiness to comply with those conditions, provided that the Powers would hold an international conference, conclude a definite peace, and recognize the Soviet Government. The Foreign Office had replied promptly (in a letter of November 1, N12085/12085/38) and in encouraging terms, asking the Russians to define more precisely their intentions. It was at this point that Mr. Lloyd George had taken matters out of Lord Curzon's hands, with results that are described in a long memorandum ('The Policy of the Russian Soviet Government, March 1921-December 1922', N2524/2524/38) circulated by Lord Curzon to the Cabinet on April 9, 1923. This memorandum ran as follows:

'It is possible that better results would have been obtained during the ensuing months if negotiations had been left in the hands of the Foreign Office. Deprived of the prestige which the invitation to Genoa accorded, and of the hopes of further undeserved success, uncourted and isolated at Moscow, the Russian Government might have been induced gradually to

<sup>1</sup> An English text of this Note, taken from Cmd. 1546, is printed in Degras, pp. 270-2.

commit itself to a further step on the road to a saner policy. It would be too much to say that such a development had ever been probable, but if suitable methods had been employed it was not impossible that they should have had this result. The proposal for a conference, on the contrary, went half-way to meet the ambitions of the Bolsheviks before they had given adequate proof of the serious nature of their intentions. This generosity was misplaced and rendered failure almost certain, for it ministered to the unfounded belief that Russia was at least as necessary to Europe as Europe was to Russia. The fact that preliminary negotiations had practically limited the scope of discussion to Russian questions made the position of the European Powers particularly unfavourable, for the pretensions of the Russian delegation were increased in proportion as it became obvious that the Prime Minister could not afford to return from Genoa empty-handed, and that the substantial achievement he so ardently desired could only take the form of an agreement with themselves. It may also be conjectured that in setting so high a price upon the signature of a paper agreement with the Soviet Government, the Prime Minister had wrongly conceived his objective no less than the means to attain it; for there was no intrinsic value in a written undertaking by persons who explicitly denied the validity of all engagements entered into with "capitalist" Powers. The only sanction for the performance of such an engagement was the conviction that fulfilment would be to their own advantage, and the hope of an immediate agreement should have been subordinated to the task of inducing this conviction in the mind of the Soviet Government.

'The situation was therefore singularly ill-adapted for the exercise of the Prime Minister's special gifts. How far his methods fell short of what it demanded is best illustrated by the document [No. 115, n. 15], which was drawn up on the 7th May in the following circumstances:—Negotiations had reached a deadlock. The Russians had expressed a qualified readiness to acknowledge their foreign liabilities, if the European Powers would accord recognition and give them some promise of definite financial assistance. The European Governments, on the other hand, were precluded by public opinion and by the attitude of the assemblies to which they were responsible from undertaking themselves to lend money to the Soviet Government. In this situation the only fruitful course would have been to convince the Russian Government finally and completely that there could be no question of a loan by His Majesty's Government, and that they must so modify their policy as to earn the confidence of private capital in this country. But this would have entailed the adjournment of the conference, and the idea of adjournment with nothing accomplished was one which the Prime Minister, for obvious reasons, was not prepared to tolerate. He therefore had recourse to a description of the financial advantages which the Russians would derive from compliance with European requirements, which, while barely committing His Majesty's Government to undertakings they were not as yet empowered to fulfil, was intended to lead the Soviet Government to expect all kinds of advantages from private capital, acting under the influence and with the assistance of

the Government, which they would in practice certainly not have enjoyed. Except on the wholly unwarrantable hypothesis that signature of the convention outlined at Genoa would have led Parliament to authorise, and the City to endorse, a radical change in their attitude towards the security for investment which Russia could offer, the description of the Trade Facilities Act, the Exports Credit Scheme and the International Corporation contained in the official memorandum, which had already been presented to the Russians on the [2nd] May [see No. 108, Annex II] was misleading. Except on this hypothesis the forecast of the 7th May . . . of the manner in which these instruments might operate was much more misleading. Except on this hypothesis these instruments for technical reasons never could have afforded, and never could have been so extended as to afford to, Russia the facilities which she was here implicitly encouraged to expect. The memorandum of the 7th May therefore became known here as the "fraudulent prospectus"; and that is what in fact it is. This is why it was communicated to the Russians verbally, privately and unofficially, and this is why it is for the first time that it now appears in Foreign Office papers. How could it have been supposed that the Bolsheviks, always suspicious, would sell themselves for this kind of thing?

'The Genoa Conference left the Russian questions of recognition, credits, property and debts precisely where it found them. It resulted in two political agreements which attracted a great deal more attention than they deserved, namely, the Treaty of Rapallo [see No. 75] and the Pact of Peace [see No. 95, Appendix, No. 138, Annex]. The Treaty of Rapallo was a useful instrument for the purpose it was ostensibly designed to serve. It dealt on bold and simple lines with the tangle of claims and counter-claims arising out of the war. But the governments not parties to it were not concerned with its intrinsic merits. It was rightly regarded by them as a gesture of defiance, as a gratuitous insult directed by Germany against the Powers with whom she should have been in collaboration. A great deal of heat was inevitably generated, but there is no evidence to show that the treaty had any permanent results other than those expressly contemplated by it. It was hailed as a diplomatic victory of the first order in Moscow, but it did not lead to closer economic or political co-operation between Russia and Germany, and it did not render the Soviet Government any less anxious to secure recognition and credits from Great Britain, since they then knew, and still know, that substantial assistance could only come from this country or from the United States of America. The second political agreement which resulted from the Genoa Conference was the Pact of Peace. The Pact was represented to have saved Europe. The Bolsheviks had not bound themselves in writing, to be sure; but they had entered into an "honourable engagement". Europe, it was said, had been trembling on the verge of another war of unlimited extent and unspeakable consequences. The pact was the means—the only means—by which this catastrophe could have been averted. Now Russia was chained up for another eight months. In reality the pact was a verbal undertaking without any kind of sanction

to refrain from hostilities which no Power had ever contemplated [see Nos. 122, 134, 136-8, and 142]. It is true that there is for the most part no sanction for the performance of any international treaty beyond what public opinion can afford, but in order to be effective the force of public opinion must be exercised in maintenance of a treaty continuously and in both countries parties to it. The supposition that public opinion could have restrained the Soviet Government from breaking the pact if it had had any mind to do so, was without foundation. There was also no foundation for the supposition that Moscow was at the time contemplating hostilities against any foreign Power.'

Following the unsatisfactory Russian reply (May 11, see No. 122, n. 2) to the Allied Note of May 2, Mr. Lloyd George proposed that commissions should be set up to examine with the Russians (a) Russian debts (b) restoration of or compensation for property in Russia belonging to foreigners (c) the provision of credits to Russia (No. 128). M. Barthou stipulated that the commissions should be appointed not by the Genoa Conference but by the Governments, and Mr. Lloyd George in a spirit of conciliation agreed to this, provided that the Genoa Conference should fix the time and place of meetings (No. 129). After considerable discussion (Nos. 129-134) it was decided to establish a Non-Russian Commission of experts and a Russian Commission of experts with the object of settling questions of debts, private property and credits. Addressing the Plenary Session of the Genoa Conference on May 18, Signor Schanzer stated:

'The President of the Genoa Conference [Signor Facta], in accordance with the wishes of the [first] commission, will invite the countries represented at Genoa to be present at The Hague meeting. He has informed the Government of the United States of America of the decision which has been reached, expressing the hope that it will take part in The Hague meeting. Unfortunately, the Washington Government has felt itself unable to accept the invitation to take part in the work at The Hague. We all realise the great advantages of solving the Russian problem at the earliest possible moment. With this object in view, the commissions of experts are to meet on the 26th June, and their work is to be limited to a period of three months. In the document [see No. 132, Annex, No. 138 and No. 142, Annex] which deals with the establishment of The Hague commissions and lays down their programme of work, the commission has also included the pact of non-aggression between Russia and the other Powers which accept the proposal. This has been done in order to allow the commissions to work in an atmosphere of mutual confidence and tranquillity; it is, moreover, an affirmation of the programme of peace and pacification upon which the Conference of Genoa has been based.'

After its delegates had left Genoa, the French Government continued to demand more precise procedures for The Hague Conference (No. 147). In the negotiations that followed, the Foreign Office played an important part (see Nos. 148, 149, 152) and at the conference itself Mr. Gregory of the Northern Department held, as secretary of the British Empire Delegation,

a watching brief. To the Foreign Office, Mr. Gregory reported fully the work of the Conference. In his memorandum of April 9, 1923 (already cited), Lord Curzon, contrasting the Genoa and The Hague Conferences, commented as follows:

'The language held by the British delegation at The Hague Commission did what was possible to repair the errors of Genoa. The conclusions arrived at by the commission were as follows:—As regards property, the commission "were met throughout with a categorical refusal not merely to acknowledge any right to restitution, but even to define any conditions which would provide for restitution of possessions in any shape or form. Nor were the Russians prepared to give any practical assurances in the matter of compensation. It was evident that the effective compensation which they could give, other than the restitution of the possession of property in one form or another, was very limited. Not only did they refuse to give any assurances that this effective form of compensation would be granted generally, or indeed, in any case, but the Russian Government declined on the property commission to accept any liability whatsoever to make compensation in any form until they first received credits." As regards debts, M. Sokolnikoff declared that Russia would only recognise the debts of the old régime on condition firstly, of the conclusion of an arrangement which should place the Russian Government in a position to accelerate the economic reconstruction of Russia, and secondly, of the grant of a moratorium or other facilities. As regards credits, the Russian delegation stood out for a direct loan to the Russian Government of 322 millions in sterling. This fact and the conclusions reached in reference to property and debts rendered further discussion useless. Although The Hague Commission reached nothing approaching agreement with the Russians, it was noteworthy for the forceful and lucid exposition by the British representatives—who took the lead throughout—of the conditions upon which alone Europe could come to the financial assistance of Russia. It is probable that their statements shook the belief of M. Litvinoff and M. Krassin in the wisdom of the attitude adopted by their Government and that they will remain the final expression of the European view. The abortive negotiations at The Hague will contribute more to the re-establishment of relations with Russia than the signature of any agreement at Genoa could have done.'

In preparing this volume I have had unrestricted access to all the papers in the Foreign Office archives. I have to thank Mr. B. Cheeseman, O.B.E., Head of the Library and Records Department of the Foreign Office, and his staff for all the help they have rendered. Again, I have to express my gratitude to the staff of the Public Record Office for their unfailing co-operation. Lastly, I have to acknowledge my debt to Mrs. Roberta Warman, B.A., and Mrs. G. Bennett, B.A., for their invaluable assistance in the preparation of this volume.

*February, 1973*

DOUGLAS DAKIN



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## LIST OF ABBREVIATIONS

<i>B.F.S.P.</i>	<i>British and Foreign State Papers</i> (London).
<i>Cmd.</i>	Command Paper (London).
Degras	<i>Soviet Documents on Foreign Policy</i> , selected and edited by Jane Degras, 3 vols. (London, 1951 ff.), vol. i.
<i>Documents Diplomatiques</i>	<i>Ministère des Affaires Étrangères: Documents Diplomatiques: Conférence Économique Internationale de Gênes, 9 Avril-19 Mai 1922</i> (Paris, 1922).
<i>F.R.U.S.</i>	<i>Papers relating to the Foreign Relations of the United States</i> (Washington).
<i>Hague Conference</i>	<i>Conference at The Hague. 1. Non-Russian Commission. 11. Russian Commission, June 15-July 20, 1922. Minutes and Documents.</i> Netherlands' Department of Foreign Affairs (The Hague, 1922).
<i>H.C. Deb. 5s.</i>	<i>Parliamentary Debates (Hansard), Official Report 5th Series</i> , House of Commons (London).
<i>L./N.O.J.</i>	<i>League of Nations Official Journal</i> (Geneva).
Slusser and Triska	Robert M. Slusser and Jan F. Triska, <i>A Calendar of Soviet Treaties 1917-1957</i> (Stanford, 1959).

An asterisk following the file number of a document indicates that the text has been taken from Confidential Print.



# CHAPTER SUMMARIES

## CHAPTER I

### Proceedings of the Conference of Cannes and Records of Conversations connected therewith, January 4-13, 1922

NO. AND NAME	DATE	MAIN SUBJECT	PAGE
1 CONVERSATION BETWEEN MR. LLOYD GEORGE AND M. BRIAND I.C.P. 220A	Jan. 4	Discussion of (i) proposed British guarantee to France against German aggression and development of thorough-going Entente (ii) summoning of European economic conference.	1
2 CONVERSATION BETWEEN MR. LLOYD GEORGE AND SIGNOR BONOMI 6.45 p.m. I.C.P. 220B	Jan. 4	Discussion of (i) economic conference and position of Russia (ii) reparations (iii) proposed British guarantee to France.	8
3 CONVERSATION BETWEEN MR. LLOYD GEORGE AND M. BRIAND 4 p.m. I.C.P. 220D	Jan. 5	Discussion of (i) economic conference and conditions for possible recognition of Russia (ii) possibility of general European Entente based on Anglo-French Entente.	11
4 CONVERSATION BETWEEN MR. LLOYD GEORGE AND SIGNOR BONOMI 6 p.m. I.C.P. 220E	Jan. 5	Discussion of (i) Russia (ii) relations between France, Belgium, Britain and Italy.	15
5 MEETING OF ALLIED REPRESENTATIVES 11 a.m. I.C.P. 221	Jan. 6	Economic reconstruction of Europe: Mr. Lloyd George's draft resolution: problem of recognition of Russia.	18
6 MEETING OF ALLIED REPRESENTATIVES 3.30 p.m. I.C.P. 222	Jan. 6	Discussion, paragraph by paragraph, of Mr. Lloyd George's Resolution. App.: Resolution moved by Mr. Lloyd George and passed by the Allied Powers in Conference, January 6, 1922.	29
7 MEETING OF ALLIED COMMISSION ON REPARATIONS 11 a.m. I.C.P. 223 A.J. 316	Jan. 7	Reparations: question of a moratorium for Germany: German Govt.'s responsibility for their inability to pay.  App.: Financial Experts' replies to certain specific questions.	36
8 MEETING OF ALLIED COMMISSION ON FORTHCOMING ECONOMIC CONFERENCE 5 p.m. I.C.P. 224 A.J. 314	Jan. 7	Formation of an international corporation for the economic reconstruction of Europe: discussion whether capital should be in pounds sterling or francs, or both.  App.: British proposal to overcome exchange difficulties.	44

	NO. AND NAME	DATE	MAIN SUBJECT	PAGE
9	MEETING OF ALLIED REPRESENTATIVES 7 p.m. I.C.P. 225	Jan. 7	Reparations: decision, after some discussion, to ask German Govt. to send representatives to Paris to hold themselves in readiness to come to Cannes.	51
10	CONVERSATION BETWEEN MR. LLOYD GEORGE AND M. BRIAND I.C.P. 225C	Jan. 8	Discussion of Memo. by M. Briand on proposed Anglo-French defensive alliance and wider European Entente.	56
11	CONVERSATION BETWEEN MR. LLOYD GEORGE AND SIGNOR BONOMI 10.15 a.m. I.C.P. 225A	Jan. 9	Discussion of (i) proposed Anglo-French alliance (ii) forthcoming economic conference.	58
12	MEETING OF ALLIED FINANCE MINISTERS 10.45 a.m. I.C.P. 225B	Jan. 9	Discussion of (i) suggestion that Reparation Commission or Committee of Guarantees, or both, should sit in Berlin (ii) control of the Reichsbank (iii) nationality of chairman of Committee of Guarantees.	60
13	MEETING OF ALLIED COMMISSION ON THE GENOA CONFERENCE 3.15 p.m. I.C.P. 226	Jan. 9	(i) International Corporation; agreement reached on question of currency; decision to appoint a committee to discuss the constitution of the corporation: (ii) Genoa Conference; decision to appoint committee to draw up agenda and make arrangements for the conference.	65
14	MEETING OF ALLIED REPRESENTATIVES 7 p.m. I.C.P. 227	Jan. 9	Arrangements for Genoa Conference to be in hands of Italian Govt.: appointment of committee to settle the agenda for the conference: discussion of international corporation: plan to be considered by a committee. App.: telegram of Jan. 8 from M. Chicherin expressing willingness to take part in Genoa Conference.	70
15	MEETING OF ALLIED COMMITTEE ON THE GENOA CONFERENCE 11 a.m. I.C.P. 228	Jan. 10	Discussion of (i) draft letter of invitation to conference (ii) agenda for conference.	74
16	MEETING OF ALLIED FINANCIAL COMMISSION 4 p.m. I.C.P. 229	Jan. 10	Discussion of Memos. on economic reconstruction (Apps. 1 and 2). App. 1: Supremie Council Proposals for Re-establishing better Economic Conditions in Europe. App. 2: Memo. relative to the Organisation of Work of European Reconstruction.	81
17	CONVERSATION BETWEEN MR. LLOYD GEORGE AND M. BRIAND 5.45 p.m. I.C.P. 229A	Jan. 10	Discussion of Memo. by H.M.G. on Anglo-French relations: Tangier: French building of submarines: Reparations: agreement that M. Loucheur and Sir R. Horne should see Herr Rathenau and Herr Bergmann.	86
18	MEETING BETWEEN MR. LLOYD GEORGE AND SIGNOR BONOMI 6 p.m. I.C.P. 229B	Jan. 10	Discussion of proposed Anglo-French alliance: expression of Italian fear that its conclusion would drive Italy towards Germany.	87

NO. AND NAME	DATE	MAIN SUBJECT	PAGE
19 MEETING OF ALLIED REPRESENTATIVES 6.15 p.m. I.C.P. 230  A. J. 330  A.J. 336	Jan. 10	Invitation to Russia: discussion whether acceptance of invitation should be taken as acceptance of conditions laid down by the Supreme Council (see No. 5); discussion of countries to be invited to conference and number of delegates they should send: resolutions on international corporation and establishment of better economic conditions in Europe (No. 16, Apps. 1 and 2) approved. App. 1: Letter of invitation to Russia only. App. 2: Resolution passed by the Supreme Council at its meeting on Jan. 10, at 6.15 p.m.	89
20 MEETING OF ALLIED COMMITTEE ON THE GENOA CONFERENCE 11 a.m. I.C.P. 231 A.J. 333	Jan. 11	Discussion of outline agenda for the Genoa Conference.  App.: Outline Agenda agreed at this meeting.	99
21 MEETING OF ALLIED REPRESENTATIVES 12 noon I.C.P. 232 A.J. 334  A.J. 335	Jan. 11	Decision that Reparation Commission should have meeting with German delegation: discussion of agenda for the Genoa Conference. App. II: statement to the press regarding the Genoa Conference. App. III: Outline agenda for the Genoa Conference.	103
22 MEETING OF ALLIED REPRESENTATIVES AND GERMAN DELEGATES 11.30 a.m. I.C.P. 233	Jan. 12	Reparations; statement by M. Dubois of position of Reparation Commission <i>vis-à-vis</i> the German Govt.; statement by Dr. Rathenau of financial position of German Govt.	109
23 MEETING OF ALLIED REPRESENTATIVES AND GERMAN DELEGATES 3.30 p.m. I.C.P. 234	Jan. 12	Continuation of Dr. Rathenau's statement on the financial position of the German Govt.: announcement of M. Briand's resignation.	118
24 MEETING OF ALLIED REPRESENTATIVES 6.15 p.m. I.C.P. 234A	Jan. 12	Discussion of situation created by resignation of French Govt.: Reparation Commission now only body with authority to put forward demands to Germans.	127
25 MEETING OF ALLIED REPRESENTATIVES AND GERMAN DELEGATES 11 a.m. I.C.P. 235	Jan. 13	Decision to terminate Cannes Conference: Genoa Conference to meet on March 8; preliminary meeting of international corporations for the re-establishment of better economic conditions in Europe to be held in London: appointment of committee to prepare agenda and draft resolutions of Genoa Conference (see No. 21, n. 6) confirmed: these decisions communicated to German delegation.	128

NO. AND NAME	DATE	MAIN SUBJECT	PAGE
A.J. 342		App. I: Telegram from M. Briand to Mr. Lloyd George.	
		App. II: Decision of Reparation Commission to grant Germany a provisional postponement of January and February payments, on certain conditions.	
A.J. 341		App. III: Telegram from Mr. Lloyd George to M. Briand.	

## CHAPTER II

### Correspondence, Memoranda, and Records of Conversations concerning preparations for the Genoa Conference February 11–April 8, 1922

	NO. AND NAME	DATE	MAIN SUBJECT	PAGE
26	TO THE FRENCH AMBASSADOR London	Feb. 11	Letter from Lord Curzon proposing a meeting of Allied representatives in London to clarify certain points raised by the Cannes programme.	137
27	TO THE FRENCH AMBASSADOR London	Feb. 14	Letter from Lord Curzon points out (i) that an exchange of notes is not the best way of clarifying points of Cannes programme (ii) that discussion which may be organised by the agenda committee (see No. 25) should be in London, and (iii) it should be confined to Powers on Supreme Council; expresses hope that French Govt. will adopt suggestion made in No. 26.	139
28	TO LORD HARDINGE Paris No. 488	Feb. 16	Informs of conversation with the French Ambassador who was told that a formal correspondence, to be published in the press, was not the way to solve the political and economic problems raised by M. Poincaré, but that Lord Curzon would be glad to discuss these matters confidentially.	142
29	CONVERSATION BETWEEN MR. LLOYD GEORGE AND DR. BENES S. 43	Feb. 17	Discussion of: Genoa Conference: necessity for an agreement between France and Britain and danger of Britain's moving towards Germany: economic position of Germany: Dr. Benes agrees to ask M. Poincaré to meet Mr. Lloyd George for talks.	146
30	SIR E. CROWE Foreign Office	Feb. 18	Record of a conversation with the French Ambassador who reiterated request for a written answer to M. Poincaré's memo. of Feb. 5, and promised a further communication of questions to which M. Poincaré attached supreme importance.	156
31	CONVERSATION BETWEEN MR. LLOYD GEORGE AND DR. BENES S. 46	Feb. 20	Discussion of problem of recognition of Russia: Mr. Lloyd George's insistence that Genoa Conference must produce more than a trade agreement.	159

NO. AND NAME	DATE	MAIN SUBJECT	PAGE
		App.: Aide-Mémoire by Dr. Benes on General Principles for the Organisation of the Genoa Conference.	
32 To LORD HARDINGE Paris No. 528	Feb. 21	Informs of conversation with French Ambassador, when Lord Curzon (i) protested against campaign in French press blaming Britain for strained Anglo-French relations (ii) gave warning of effect of French delaying tactics.	167
33 To M. KRASSIN Russian Trade Delegation London	Feb. 22	Letter from Mr. Waterlow stating that the Genoa Conference will not be concerned with the Turkish question, and that the issue of an invitation to the Angora Govt. is not the concern of Russia.	169
34 CONVERSATION BETWEEN MR. LLOYD GEORGE AND M. POINCARÉ I.C.P. 236	Feb. 25	Discussion of (i) Anglo-French relations (ii) Genoa Conference; fundamentals of reparations not to be discussed; French desire for postponement; relation to League of Nations; no questions to be raised in regard to treaties of Versailles, Saint-Germain, Neuilly and Trianon; possible Russian demands for compensation for damage done by Czech troops and by Kolchak, Denikin and Wrangel; question of recognition of Soviet Russia: doubt of French Govt's. ability to give guarantee to Financial Corporation; non-aggression clause: press communiqué.	170
35 To LORD D'ABERNON Berlin Tel. No. 16	Mar. 1	Informs of P.M.'s conversation with M. Poincaré (see No. 34) and suggests despatch of one or two German experts to London for informal exchange of information.	192
36 SIR A. YOUNG Belgrade No. 95	Mar. 2	Reports interview with Yugoslav Foreign Minister who (i) agreed with French view of subjects to be excluded from scope of Genoa Conference (see No. 34) (ii) explained his attitude towards Soviet Government; comments on proposed meeting between experts of little Entente and Poland, and on Yugoslav attitude towards Dr. Benes.	193
37 SIR G. CLERK Prague Tel. No. 57	Mar. 4	Reports interview with Dr. Benes who (i) clarified relationship between Poland and the Little Entente (ii) stated that his meeting with Yugoslav Foreign Minister on Mar. 3 had resulted in agreement on a common policy towards Russia and Italy.	196
38 SIR R. GRAHAM Rome Tel. No. 120	Mar. 4	Reports that during interview with Signor Schanzer (i) he urged him not to postpone Genoa Conference beyond Apr. 10 (ii) Signor Schanzer asked for British support in urging moderation on French Govt. as regards subjects to be excluded from scope of Genoa Conference (see No. 34).	196

NO. AND NAME	DATE	MAIN SUBJECT	PAGE
39 SIR A. GEDDES Washington Tel. No. 128	Mar. 7	Summarises American reply, delivered to Italian Ambassador at Washington, refusing invitation to Genoa Conference.	198
40 FOREIGN OFFICE		Preliminary draft of Articles of Agreement to form the basis of a Treaty with Russia, under following headings: (i) Propaganda (ii) Treaties (iii) Debts, Property, etc. (iv) Law (v) Trade Facilities (vi) Miscellaneous.	199
41 SIR S. CHAPMAN Board of Trade	Mar. 10	Record of conversations in Paris with French experts on Genoa Conference and Russian problem; comments that French have been under a misconception of aims of H.M.G. for Genoa Conference.	207
42 BOARD OF TRADE	Mar. 10	Memo. on unofficial meeting with German representatives at which general lines of procedure at Genoa and proposals for submission to conference being considered by H.M.G. were explained.	208
43 SIR R. GRAHAM Rome Tel. No. 132	Mar. 11	Reports that he transmitted text of Boulogne conversations (see No. 34) to Italian Foreign Minister, who (i) accepted Apr. 10 for beginning of Genoa Conference (ii) discussed American refusal of invitation (see No. 39) (iii) described his discussion of the Genoa Conference with the Soviet Ambassador at Rome.	209
44 TO THE ITALIAN AMBASSADOR London	Mar. 14	Letter from Lord Curzon transmitting copies of two documents prepared by interdepartmental committee on Genoa Conference. Encl. 1: Suggested Resolutions to be submitted at Genoa together with Draft Convention embodying their substance: (i) Financial Resolutions (ii) Economic Resolutions (iii) Transport Resolutions. Annex to Encl. 1: International Gold Standard Monetary Convention. Encl. 2: Summary of Suggestions for Articles of Agreement to form the basis of a (Economic and Financial) Russian Treaty.	210
45 SIR A. YOUNG Belgrade Tel. No. 127	Mar. 16	Reports that Conference of Experts of the 'Quadruple Entente' have agreed to resist at Genoa (i) any breach of M. Poincaré's stipulations restricting scope of Conference (see No. 34) (ii) any prospects affecting the independence of the four states; states that Jugoslavia expects little results from Genoa Conference.	222
46 M. BERZIN London	Mar. 16	Transmits copy of a Note from Russian Govt. Encl.: Note from Russian Govt. (i) stating that preliminary discussions of Entente and Little Entente reported in press will seriously prejudice Genoa Conference (ii) calling attention to necessity for putting a stop to alleged lies about Russia in Western Press (iii) informing of measures taken by	224



NO. AND NAME	DATE	MAIN SUBJECT	PAGE
		Russian Govt. for protection of private persons and their interests. Note 3: Alleged Russian programme for Genoa Conference, communicated to F.O. by Cdr. Kenworthy.	
47 SIR H. DERING Bucharest No. 171	Mar. 17	Reports that at interview with Roumanian Foreign Minister (i) he discussed meeting of Experts of Little Entente and Poland, and Soviet attendance at Genoa (ii) M. Duca explained Roumanian aims at Genoa (iii) he urged M. Duca that the Little Entente and Poland should act together with the Great Powers at Genoa.	231
48 TO THE FRENCH AMBASSADOR London	Mar. 18	Letter from Lord Curzon expressing agreement with views of French Govt. on discussion of existing treaties at Genoa but calling attention to difficulties which will arise if succession states are asked to assume share of Russian Empire's debt.	234
49 FOREIGN OFFICE	Mar. 18	Memo. respecting the Relation of the Genoa Conference to the Work of the League of Nations. App. I: The Economic and Financial Work of the League. App. II: Communications and Transit Work of the League.	235
50 TO LORD HARDINGE Paris No. 799	Mar. 19	Informs of conversation with the French Ambassador at which, following discussion of (i) the position of the Russian delegation at the Genoa Conference (ii) the relationship between the League of Nations and the Conference, Lord Curzon stated that the question of Tangier must be settled before the Anglo-French 'Pact' could be signed.	240
51 MR. C. BARCLAY Stockholm No. 139	Mar. 21	Reports that (i) conversations between Swedish, Danish, Norwegian, Swiss, Dutch and Spanish Govts. on economic and financial questions to be discussed at Genoa have ended in agreement (ii) Mr. Branting hopes to send an expert to London to discuss these questions with British experts.	244
52 TO THE ITALIAN AMBASSADOR London	Mar. 21	Letter from Lord Curzon expressing H.M.G.'s agreement with (i) Italian Govt.'s view that neither League of Nations nor International Labour Office should be represented at Genoa (ii) proposed procedure for utilising any information at disposal of these bodies.	245
53 LORD CURZON Paris	Mar. 26	Telephone message for P.M. requesting opinion on proposal before Council of League on part League is to play in execution of Genoa Conference decisions.	246
54 CONVERSATION BETWEEN MR. LLOYD GEORGE AND SIGNOR SCHANZER 5 p.m.	Mar. 27	Discussion of Genoa Conference: (i) arrangements (ii) organisation; committees to be established (iii) substitute delegates (iv) League of Nations; experts might	247

	NO. AND NAME	DATE	MAIN SUBJECT	PAGE
	I.C.P. 236A		be sent as advisers (v) personnel of committees; representation of smaller powers (vi) proposed preliminary meeting of convening powers.	
55	LORD HARDINGE Paris No. 772	Mar. 28	Refers to No. 53, n. 7, and informs that resolution referred to in No. 53 was not accepted by Council of League. Encl. 1: Resolution on Genoa Conference adopted by Council of League Encl. 2: Italian Proposal Encl. 3: Declaration by M. Bourgeois	255
56	BOARD OF TRADE  C.P. 3902	Mar. 28	Report of British Committee on the Work of the Meetings of the Experts of the Inviting Powers on: Russian Proposals: Restoration of Europe (Financial, Economic and Transport Resolutions). App.: Experts' Report on: I Russia; II Restoration of Europe. Note 12: Minutes by Cdr. Maxse, Mr. Gregory, Sir E. Crowe, and Lord Curzon.	257
57	MR. HODGSON Moscow Tel. No. 75	Mar. 31	Comments on M. Chicherin's description of conditions in Russia given in No. 46, Enclosure.	278
58	M. BERZIN London	Apr. 1	Transmits an Annex to No. 46 informing of further measures taken by the Russian Govt. to guarantee private enterprise and professional activities.	279
59	M. BERZIN London	Apr. 4	Informs that Soviet Govt. has not made any proposals to France which are in any way directed against the interests of the other Allies. Note 2: Lord D'Abernon's tel. No. 93 of Apr. 2 reporting similar denial by M. Chicherin.	284
60	FOREIGN OFFICE	Apr. 4	Memo. respecting the attitude of the Northern and Western 'Neutrals' at the Genoa Conference.	285
61	FOREIGN OFFICE	Apr. 6	Memo. regarding the Treaties with Russia.	288
62	CONVERSATION BETWEEN MR. LLOYD GEORGE AND M. POINCARÉ 4.20 p.m. I.C.P. 236B	Apr. 7	Discussion of composition of committees at Conference: representation of smaller Powers: Mr. Lloyd George's warning of the disastrous consequences which would follow a split between France and Great Britain: M. Poincaré's assurance that he would work with Great Britain.	296
63	MEETING OF BRITISH AND ITALIAN REPRESENTATIVES S.G. 1A	Apr. 8	Discussion of (i) procedure at first plenary meeting of Genoa Conference (ii) formation of committees (iii) method of dealing with question of disarmament (iv) 'Pact of Peace' (v) recognition of Russia; importance of conciliatory opening speech by Russian delegation, and need to win support of Little Entente for British and Italian policy urged by Mr. Lloyd George.	302

# CHAPTER III

## The Genoa Conference, April 9–May 19, 1922

NO. AND NAME	DATE	MAIN SUBJECT	PAGE
64 MEETING OF INVITING POWERS 11 a.m. I.C.P. 237	Apr. 9	Discussion of (i) draft rules of procedure submitted by Italian delegation (see App.) (ii) method of communicating these regulations to assembly.	305
65 MEETING OF INVITING POWERS 4 p.m. I.C.P. 238	Apr. 9	(i) Discussion of procedure at opening meeting of conference (ii) declaration to be made by President to ensure that Russia and Germany accept principles of Cannes Resolutions (iii) composition of Political Commission (iv) amendments to memo. on organisation of conference. App.: Memo. on Organisation of Conference.	317
66 FIRST CONFERENCE OF BRITISH EMPIRE DELEGATION 11 a.m.	Apr. 10	Discussion of (i) the position of Russia at the Genoa Conference (ii) the importance of the proposed non-aggression pact.	332
67 FIRST PLENARY SESSION 3 p.m.	Apr. 10	Signor Facta elected President; introductory speeches by President, chief delegates of Inviting Powers, Germany and Russia; protest by M. Barthou against M. Chicherin's intention to raise questions of (i) disarmament (ii) conference machinery: adoption of conference regulations.	334
68 FIRST SESSION OF FIRST (POLITICAL) COMMISSION 10.30 a.m. P.C. 1	Apr. 11	Signor Facta elected President: declaration by Count Bethlen on Hungarian minorities: appointment of Sub-Commission: declaration by M. Chicherin against representation of Roumania and Japan on Sub-Commission.	359
69 FIRST MEETING OF SUB-COMMISSION OF FIRST COMMISSION 3.30 p.m. P.C.S. 1	Apr. 11	Signor Schanzer elected President: Report of London Experts to be distributed to Powers on Sub-Commission: Russian proposal for two days' adjournment.	364
70 CONVERSATION BETWEEN MR. LLOYD GEORGE AND SIGNOR SCHANZER 11.45 a.m. S.G. 2	Apr. 13	Discussion of (i) need for private meetings with Russian and French delegations (ii) Prime Minister of Lithuania's letter of Apr. 12 to Signor Schanzer.	367
71 INFORMAL MEETING OF BRITISH, BELGIAN, FRENCH AND ITALIAN REPRESENTATIVES 4.15 p.m. I.C.P. 238A	Apr. 13	Discussion of Russian (i) refusal to recognise war debts (ii) demand for compensation for allied military damage (iii) refusal to return confiscated property: decision to hold private meeting with Russians: formation of Drafting Committee to prepare Heads of Agreement to be put to Russians. App.: Report of Drafting Committee.	371

NO. AND NAME	DATE	MAIN SUBJECT	PAGE
72 INFORMAL MEETING OF BELGIAN, BRITISH, FRENCH, ITALIAN AND RUSSIAN REPRESENTATIVES 10 a.m. I.C.P. 238B	Apr. 14	Exchange of views on questions of (i) Russian debts (ii) compensation for allied military damage (iii) restitution of nationalised property (iv) economic assistance required by Russia: report of difficulties of Sub-Committee in reaching agreement: formation of Sub-Committee to draft formula on principles and of Committee of Experts to examine claims arising therefrom.	380
73 INFORMAL MEETING OF BELGIAN, BRITISH, FRENCH AND ITALIAN REPRESENTATIVES 3.35 p.m. I.C.P. 238C	Apr. 15	Discussion of (i) view of Experts that Russian claims were unacceptable (ii) Mr. Lloyd George's proposition to offset Russian war debts to Allies against Russian claims for damages. App.: List submitted by Russian delegation of damages caused by Allies.	404
74 MEETING BETWEEN BELGIAN, BRITISH, FRENCH, ITALIAN AND RUSSIAN REPRESENTATIVES 4.30 p.m. I.C.P. 238D	Apr. 15	Discussion of propositions submitted to Russian delegation by allies (App.); agreement to Russian request for time to submit these to Moscow.	409
75 INFORMAL MEETING OF ALLIED REPRESENTA- TIVES 5 p.m. I.C.P. 239	Apr. 17	Discussion of implications of Russo-German Treaty signed at Rapallo; decision to hold meeting of (i) jurists to examine effect on Treaty of Versailles (ii) Allies, Little Entente and Poland to examine Mr. Lloyd George's draft note of protest to German delegation.	422
76 MEETING OF ALLIED, CZECHOSLOVAK, JUGOSLAV, POLISH AND ROUMANIAN REPRESENTATIVES 11 a.m. I.C.P. 240	Apr. 18	Discussion of Mr. Lloyd George's draft Note to German delegation; amendments to draft, in response to Italian representations. App. I: Draft Note from Convening Powers to German delegation. App. II: Note of Apr. 18 to German delegation from representatives of Convening Powers, Little Entente, Poland and Portugal.	431
77 MEETING OF ALLIED, CZECHOSLOVAK, JUGOSLAV, POLISH AND ROUMANIAN REPRESENTATIVES 4.30 p.m. I.C.P. 241	Apr. 18	Discussion of (i) general policy towards Russia (ii) future procedure of conference: signature of Note of Apr. 18 to German delegation (see No. 76, App. II).	446
78 CONVERSATION BETWEEN BRITISH AND GERMAN REPRESENTATIVES 12 noon S.G. 8	Apr. 19	German reasons for concluding Russo-German Treaty; Mr. Lloyd George's alternative formulas for withdrawal of Treaty and account of Allied conversations with Russians; promise by Dr. Rathenau to discuss with Russian delegation withdrawal of Treaty.	452

NO. AND NAME	DATE	MAIN SUBJECT	PAGE
		App. I: First Alternative Formula handed to Dr. Wirth by Mr. Lloyd George on Apr. 19.	
		App. II: Second Alternative Formula handed to Dr. Wirth by Mr. Lloyd George on Apr. 19.	
79 MEETING OF ALLIED REPRESENTATIVES 12 noon I.C.P. 242	Apr. 20	Discussion of (i) Russian refusal to withdraw Treaty (ii) German attitude to Allied Note of Apr. 18 (iii) Russian attitude to Allied propositions (see No. 74); decision in event of favourable reply to appoint Committee of Experts to examine practical problems of Russian indebtedness and reconstruction.	463
80 INFORMAL MEETING OF ALLIED, CZECHOSLOVAK, JUGOSLAV, POLISH, PORTUGUESE, AND ROUMANIAN REPRESENTATIVES 2.30 p.m. I.C.P. 243	Apr. 20	Decision to refer Russian reply to Allied propositions in first instance to informal meeting (without Russian delegates) of Sub-Commission of First Commission (see No. 82, below).	472
81 CONVERSATION BETWEEN BRITISH AND RUSSIAN REPRESENTATIVES 5.30 p.m. S.G. 11	Apr. 20	Discussion of Russian reply to Allied propositions of Apr. 15 (see No. 74); agreement on modifications to Russian draft reply. App.: M. Chicherin's reply to Allied propositions as amended at meeting with British Representatives on Apr. 20.	474
82 INFORMAL MEETING OF SUB-COMMISSION OF FIRST COMMISSION WITHOUT RUSSIAN DELEGATES 10.30 a.m. I.C.P. 244	Apr. 21	Discussion of Russian Note of Apr. 20 (delivered Apr. 21): agreement that Note did not justify rupture of negotiations: appointment of experts of Inviting Powers, Holland and Roumania to examine Note: agreement on procedure for meeting with Russians: Roumanian claims against Russia: situation in Georgia. App.: Telegram from President of National Government of Georgia.	478
83 SECOND MEETING OF SUB-COMMISSION OF FIRST COMMISSION 3.30 p.m. P.C.S. 2	Apr. 21	Exchange of views between M. Barthou and M. Chicherin on attitude to debts expressed in Russian Note of Apr. (20) 21; agreement to establish Committee of Experts to examine Russian Note.	487
84 FIRST MEETING OF COMMITTEE OF EXPERTS ON RUSSIAN QUESTIONS 10.30 a.m. P.C.S.E. 1	Apr. 22	Correction by M. Rakowsky of French text of Russian Note of Apr. (20) 21; adjournment of sitting, on Russian request.	491
85 THIRD CONFERENCE OF BRITISH EMPIRE DELEGATION 10.30 a.m.	Apr. 22	Discussion of French attitude to Russo-German Treaty: decision to discuss French conduct in plenary session.	493
86 MEETING OF SUB-COMMISSION OF FIRST COMMISSION	Apr. 22	Discussion of procedure for drafting replies to (i) Russian Memo. (see No. 89) (ii) German Note of Apr. 21: decision,	495

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4 p.m. P.C.S. 2A		after discussion, on procedure for consideration of reply drafted by M. Barthou and Mr. Lloyd George. Annex: Letter of Apr. 21 from German delegation in reply to Joint Note (No. 76, App. II).	
87 SECOND MEETING OF COMMITTEE OF EXPERTS ON RUSSIAN QUESTIONS 4.30 p.m. P.C.S.E. 2	Apr. 22	Statement by M. Seydoux on Memo. distributed by Russians; withdrawal of French delegation pending instructions from French government.	506
88 MEETING OF SUB-COMMISSION OF FIRST COMMISSION 10.30 a.m. P.C.S. 2B	Apr. 23	Declaration on Russo-German Treaty, on behalf of Little Entente and Poland; amendment of Mr. Lloyd George's draft reply to German Note of Apr. 21. Annex: Reply to German Note of Apr. 21 by Convening Powers, Little Entente and Poland.	508
89 MEETING OF SUB- COMMISSION OF FIRST COMMISSION, WITHOUT RUSSIAN DELEGATES 11.30 a.m. I.C.P. 247	Apr. 23	Discussion of Russian Memo. (see Annex): agreement not to treat it as an official document.	515
90 THIRD MEETING OF COMMITTEE OF EXPERTS ON RUSSIAN QUESTIONS 4 p.m. P.C.S.E. 3	Apr. 23	Decision, despite Russian objections, to consider, along with relevant points in Russian Note of Apr. (20) 21, related groups of articles in London Experts' Report: discussion of articles 1-7 (No. 56, App.).	529
91 FOURTH MEETING OF COMMITTEE OF EXPERTS ON RUSSIAN QUESTIONS 5 p.m. P.C.S.E. 4	Apr. 24	Discussion of counter-proposals submitted by Russian delegation (see Annex) to articles 1-7 of London Experts' Report (see No. 56, App.).	539
92 FIFTH MEETING OF COMMITTEE OF EXPERTS ON RUSSIAN QUESTIONS, WITHOUT RUSSIAN DELEGATES 6.45 p.m. P.C.S.E. 5	Apr. 24	Discussion of procedure following Russian counter-proposals: decision to hold meeting of (i) Secretaries to agree on minutes of previous meeting (see No. 91) (ii) Experts, without Russian delegates, to consider minutes.	554
93 CONVERSATIONS BETWEEN BRITISH AND FRENCH REPRESENTATIVES S.G. 15	Apr. 24 Apr. 25	Discussion of (i) political questions connected with second item on Cannes Agenda (see No. 21, App. III) (ii) French plans for Russian reconstruction (iii) British and French attitudes to questions of Russian debts and private property: decision to discuss informally (after next meeting of Experts, without Russian delegates) question of economic assistance to Russia.	557
94 SIXTH MEETING OF COMMITTEE OF EXPERTS ON RUSSIAN QUESTIONS, WITHOUT	Apr. 25	Adoption, after amendment, of draft Minutes of Fourth Meeting of Committee (see No. 91): decision to send to Russian delegation for approval the	561

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NO. AND NAME	DATE	MAIN SUBJECT	PAGE
RUSSIAN DELEGATES 4 p.m. P.C.S.E. 6		minutes of first four meetings of Committee.	
95 CONVERSATION BETWEEN MR. LLOYD GEORGE AND DR. BENES 11.15 a.m. S.G. 17	Apr. 26	Discussion of Sir Cecil Hurst's draft of Pact of Non-Aggression (see App.): (i) French objections (ii) amendments submitted by Dr. Benes (iii) effect on Treaty of Riga (iv) Polish policy in Lithuania and E. Galicia.	565
96 CONVERSATION BETWEEN MR. LLOYD GEORGE AND M. BARTHOU 12 noon S.G. 18	Apr. 26	Discussion of (i) speeches by Mr. Lloyd George (Apr. 23) and M. Poincaré (Apr. 24) (ii) Sir Laming Worthington-Evans's draft Memo. to Russian delegation (No. 97 App. I, below): M. Barthou's agreement to Mr. Lloyd George's proposal for Meeting at Genoa of Signatory Powers of Treaty of Versailles.	572
97 INFORMAL MEETING OF BELGIAN, BRITISH, FRENCH AND ITALIAN REPRESENTATIVES 6 p.m. I.C.P. 247C	Apr. 26	(i) Explanation of views of Experts on British draft of proposed Memo. to Russian delegation (ii) adoption of Mr. Lloyd George's proposal for creation of a mixed tribunal with an impartial chairman to arbitrate between bond holders and Soviet Govt. (iii) discussion of draft articles on private property submitted by M. Seydoux and Sir Cecil Hurst. App. I: British draft of proposed Memo. to Russian Delegation. App. II: Sir Cecil Hurst's formula for clause relating to private property.	579
98 CONVERSATION BETWEEN MR. LLOYD GEORGE, M. JASPAR, AND SIGNOR SCHANZER 11.15 a.m. I.C.P. 247E	Apr. 27	Discussion of (i) new British draft of Memo. to Russian delegation (see App.) (ii) French formula on private property.	588
99 INFORMAL MEETING OF BRITISH, ITALIAN, AND JAPANESE REPRESENTATIVES 5 p.m. I.C.P. 247F	Apr. 27	Discussion of (i) draft Memo. to Russian delegation (see No. 98, App.) (ii) <i>de jure</i> recognition of Russia (iii) status of Far Eastern Republic: decision that agreement with Russia should apply to all former territories of Russian Empire under Soviet control.	596
100 MEETING OF SUB-COMMISSION OF FIRST COMMISSION, WITHOUT RUSSIAN DELEGATES 4 p.m. P.C.S.3	Apr. 28	Mr. Lloyd George's disagreement with M. Barthou's statement that conclusion of Russo-German Treaty had absolved France from adherence to Allied propositions of Apr. 15: discussion of preambles of British and French drafts of Memo. to Russian delegation: formation of Drafting Committee to amalgamate drafts into single preamble. Annex I: Draft Memo. to Russian Delegation Proposed by British Delegation. Annex II: Draft Memo. to Russian Delegation Proposed by French Delegation.	603

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101 CONVERSATION BETWEEN MR. LLOYD GEORGE AND M. BARTHOU 10.45 a.m. S.G. 21	Apr. 29	(i) Mr. Lloyd George's suggestion for settlement of Reparations (ii) French attitude to proposal to write down Russian war debts (iii) decision to hold meeting of Belgian, British and French jurists to consider Sir Cecil Hurst's new formula on private property.	624
102 MEETING OF SUB- COMMISSION OF FIRST COMMISSION, WITHOUT RUSSIAN DELEGATES 11 a.m. P.C.S. 4	Apr. 29	Adoption, after amendment, of (i) draft of preamble of Memo. to Russian delegation (ii) article 1 of Memo: M. Motta's definition of position of neutrals at Genoa Conference. Annex II: List of goods and services which could be supplied to Russia by France. Annex III: Proposed final text of preamble of Memo. to Russian delegation.	630
103 MEETING OF SUB- COMMISSION OF FIRST COMMISSION, WITHOUT RUSSIAN DELEGATES 4 p.m. P.C.S. 5	Apr. 29	Discussion of British and French texts of clause 2 ( <i>Inter-Governmental Debts</i> ) of Memo. to Russian delegation: adoption of M. Bratiano's amendment: decision to refer clause 2 to jurists, to prepare new draft for examination by Sub-Commission.	641
104 MEETING OF SUB- COMMISSION OF FIRST COMMISSION, WITHOUT RUSSIAN DELEGATES 11 a.m. P.C.S. 6	May 1	(i) Discussion of M. Chicherin's letter of Apr. 28 to Signor Facta (Annex I) and of Signor Facta's reply of Apr. 29 (Annex II) (ii) statement by M. Barthou on M. Chicherin's letter of Apr. 30 (Annex III) (iii) approval of draft submitted by jurists of article 2 (Annex IV) of Memo. to Russian delegation (see No. 103) (iv) discussion of jurists' text of article 6 (v) decision to submit to Drafting Committee article 6 and amendments proposed by M. Jaspar and M. Barthou. Annex V: Proposed draft, prepared by jurists, of article 6 of Memo. to Russian delegation.	649
105 MEETING OF SUB- COMMISSION OF FIRST COMMISSION, WITHOUT RUSSIAN DELEGATES 4.30 p.m. P.C.S. 7	May 1	(i) Adoption of French texts of articles 3, 4 and 7 (with amendment) of Memo. to Russian delegation (ii) Articles 5, 8, 9, 10, 11 and 12 remitted to Drafting Committee for amendments and additions (iii) adoption, despite negative vote by Belgian delegation, of revised text of article 6 submitted by Drafting Committee (see Annex).	662
106 CONVERSATION BETWEEN MR. LLOYD GEORGE AND M. BARTHOU 10 a.m. S.G. 22	May 2	Mr. Lloyd George's proposal for meeting before May 31 of Signatory Powers of Treaty of Versailles to consider German reparations: discussion of effect on proposed Pact of Non-Aggression of rejection by Russia of Allied Memo.: concessions to Belgium on private property urged by M. Barthou: Mr. Lloyd George's proposal (i) to refer question of Poland and Lithuania to League of Nations for re-hearing (ii) to give internal autonomy to Eastern Galicia.	673



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107 CONVERSATION BETWEEN MR. LLOYD GEORGE AND M. VAN KARNE- BEEK 10.40 a.m. S.G. 23	May 2	Discussion of (i) Russian attitude to Allied Memo. (ii) credits for Russia (iii) Pact of Non-Aggression.	680
108 MEETING OF SUB- COMMISSION OF FIRST COMMISSION, WITHOUT RUSSIAN DELEGATES 4.30 p.m. P.C.S. 8	May 2	(i) Discussion of procedure for transmitting Allied Memo. to Russian delegation (ii) adoption, with amendments and additions, of draft Memo. (iii) French reservation (iv) discussion of covering letter to Memo. Annex: Text of covering letter and Memo. sent to M. Chicherin.	685
109 SECOND PLENARY SESSION OF GENOA CONFERENCE 10 a.m.	May 3	Adoption of Reports of Financial and Transport Commissions (see App.).	703
110 CONVERSATION BETWEEN MR. LLOYD GEORGE AND SIGNOR SCHANZER 10.45 a.m. S.G. 24	May 4	Explanation by Signor Schanzer of (i) Italian policy towards Turkey (ii) difficulties in reaching settlement with Jugoslavs on question of Fiume: Mr. Lloyd George's suggestion that Signor Facta should invite M. Poincaré to informal meeting of Allies, before May 31, to discuss German reparations.	726
111 CONVERSATION BETWEEN BRITISH AND GERMAN REPRESENTATIVES 11.15 a.m. S.G. 25	May 4	Discussion of (i) Pact of Non-Aggression (ii) Russian attitude to Allied Memo. of May 2 (iii) reparations and German economic situation (iv) French policy towards Germany. App.: Memo. on Recent History of Reparations Negotiations, Apr. 28, 1922.	730
112 CONVERSATION BETWEEN MR. LLOYD GEORGE AND M. SKIRMUNT 11 a.m. S.G. 26	May 5	Résumé by M. Skirmunt of conversation with M. Chicherin: M. Skirmunt's suggestion for an expert commission to investigate economic conditions in Russia: discussion of (i) settlement of questions of Lithuania and Galicia (ii) Russian attitude to these questions (iii) agreement to discuss these questions again before end of Conference: British policy in event of breakdown of Conference.	741
113 CONVERSATION BETWEEN MR. LLOYD GEORGE AND M. NINČIĆ 5 p.m. S.G. 27	May 5	Discussion of (i) policy in event of Russian refusal of Allied Memo. of May 2 (ii) procedure for discussing Pact of Non-Aggression (iii) attitude of neutrals to Pact: M. Ninčić's explanation of Serbian attitude to Treaty of Rapallo of 1920: acceptance of Mr. Lloyd George's proposal for Anglo-Italian-Jugoslav discussion of Adriatic question.	747
114 CONVERSATION BETWEEN SIR L. WORTHINGTON- EVANS, MR. LLOYD GEORGE AND M. KRASSIN 5 p.m.	May 5	Discussion of (i) M. Krassin's statement of inadequacy of Credit Schemes outlined in Allied Memo. of May 2 (ii) British Credit Schemes and rôle of International Corporation (iii) Russian refusal to accept principle of compensation:	751

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	S.G. 27A		British policy in the event of Russian refusal of Memo.	
115	CONVERSATION BETWEEN MR. LLOYD GEORGE AND SIGNOR SCHANZER 10.30 a.m. S.G. 28	May 6	Discussion of (i) Yugoslav and Italian attitudes to question of Fiume (ii) French and Belgian attitudes to Allied Memo. of May 2 (iii) Russian desire for government loans (iv) Russian attitude to Clause I of Memo. (propaganda) (v) British policy in event of Russian refusal of Memo.	755
116	CONVERSATION BETWEEN MR. LLOYD GEORGE AND M. BARTHOU 5 p.m. S.G. 29	May 6	M. Barthou's statement on his visit to Paris: discussion of (i) policy in the event of Russian refusal of Allied Memo. of May 2 (ii) effect on Anglo-French relations of French support of Belgium at Genoa: French refusal to participate before May 31 in conversations on German Reparations between Powers signatory to Treaty of Versailles.	764
117	MEMO. OF CONVERSATION BETWEEN MR. LLOYD GEORGE AND THE AMERICAN AMBASSADOR IN ROME S.G. 29A	May 7	(i) American Ambassador's dissatisfaction with Clause 7 of Allied Memo. of May 2 (ii) discussion of his suggestion to adjourn Genoa Conference and send a commission of investigation to Russia.	776
118	CONVERSATION BETWEEN MR. LLOYD GEORGE AND DR. WIRTH 5 p.m. S.G. 30	May 7	Discussion of (i) Allied Memo. of May 2 and Russian reactions to it (ii) the problem of reparations and Franco-German relations: the importance of reaching agreement with Russia at Genoa before dealing with German affairs.	777
119	CONVERSATION BETWEEN MR. LLOYD GEORGE, SIGNOR SCHANZER AND M. NINČIĆ 10.30 a.m. I.C.P. 247-I	May 8	Discussion of the Treaty of Rapallo and proposed Zara Convention; acceptance of Mr. Lloyd George's proposal that British, Italian and Serbian representatives should meet that afternoon to clarify points of controversy in the Fiume question.	787
120	FOURTH CONFERENCE OF THE BRITISH EMPIRE DELEGATION 3 p.m.	May 10	Discussion of draft Memo. to the Russians (see App.) in the event of their reply to Allied Memo. of May 2 being unsatisfactory: provisional approval, subject to incorporation of certain amendments, of the draft.	789
121	MEETING OF SUB-COMMISSION OF FIRST COMMISSION 11 a.m. P.C.I.-I	May 10	Discussion of questions submitted by various countries. Annexes A-R: requests and protests submitted to the Genoa Conference.	797
122	CONVERSATION BETWEEN MR. LLOYD GEORGE AND SIGNOR SCHANZER 12.30 p.m. S.G. 30B	May 11	Discussion of (i) Russian Note of May 11 (ii) Mr. Lloyd George's Memo. (see No. 120, App.): decision to draft a new passage for the Memo.	846
123	CONVERSATION BETWEEN BRITISH, FRENCH, AND ITALIAN REPRESENTATIVES	May 11	Discussion of form of reply to the Russian Note of May 11 (see No. 128, below): Mr. Lloyd George's proposals (i) to set up commissions to examine the question of	850

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124 MEETING OF BRITISH, DUTCH, POLISH, ROUMANIAN, SWEDISH, SWISS, AND JUGOSLAV REPRESENTATIVES 2.45 p.m. I.C.P. 247K	May 12	Discussion of (i) procedure proposed by Mr. Lloyd George for further consideration of the Russian problem and for reply to the Russian Note of May 11 (ii) method of transmitting reply to Russian delegation.	858
125 CONVERSATION BETWEEN BRITISH AND ITALIAN REPRESENTATIVES 6.30 p.m. S.G. 30E	May 12	Discussion of attitude of France and Little Entente to proposed policy in reply to Russian Note of May 11: Signor Schanzer's approval of Mr. Lloyd George's draft reply to propaganda section of Russian Note.	865
126 INFORMAL MEETING OF BRITISH AND RUSSIAN REPRESENTATIVES 10 a.m. S.G. 31	May 13	Acceptance in principle by M. Chicherin of Resolutions communicated to him by Mr. Lloyd George.	868
127 SIXTH CONFERENCE OF THE BRITISH EMPIRE DELEGATION 10 a.m.	May 13	Discussion of (i) draft Memo. in reply to Russian Note (ii) new passage to be inserted in the Preamble to the Memo: approval of British Empire Delegation given to the document for submission to Sub-Commission of First Commission.	870
128 MEETING OF SUB- COMMISSION OF FIRST COMMISSION, WITHOUT RUSSIAN DELEGATES 11 a.m. P.C.S. 9	May 13	Discussion of Mr. Lloyd George's proposed policy in reply to Russian Note of May 11: M. Barthou's refusal (i) to participate in preparation of reply to Russian Note (ii) to agree to establishment of mixed commissions of experts nominated by Genoa Conference: acceptance of M. Bratiano's suggestion for private discussions between Mr. Lloyd George and M. Barthou: adjournment of meeting until 5 p.m.	873
129 CONVERSATION BETWEEN BRITISH AND FRENCH REPRESENTATIVES 3.30 p.m. S.G. 30F	May 13	Mr. Lloyd George's agreement to M. Barthou's request that (i) proposed commissions (see No. 128) should be appointed by governments rather than by Genoa Conference (ii) reply to Russian Note of May 11 should consist of two documents: discussion of question of Russian representation on proposed commissions: decision to hold meeting of (i) Sir Cecil Hurst and M. Fromageot to draft formula of agreement (ii) Inviting Powers on May 14 at 11 a.m.	882
130 MEETING OF SUB- COMMISSION OF FIRST COMMISSION, WITHOUT RUSSIAN DELEGATES 5 p.m. P.C.S. 10	May 13	Resumption of earlier discussion before adjournment (see No. 128): adjournment of meeting until May 15.	885

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<b>132</b> MEETING OF INVITING POWERS 4.30 p.m. I.C.P. 249	May 14	Discussion of the proposed reply (see Annex) to the Russian Note of May 11; whether it implied <i>de jure</i> recognition of Russia: decision to invite all nations represented at the Genoa Conference to The Hague.	902
<b>133</b> MEETING OF SUB-COMMISSION OF FIRST COMMISSION, WITHOUT RUSSIAN DELEGATES 10.30 a.m. P.C.S. 11	May 15	Discussion of (i) letter sent to President of Sub-Commission by M. Chicherin (see Annex); Signor Schanzer's account of his reply to M. Chicherin (ii) articles of proposed reply to Russian Note of May 11; M. Barthou's statement that the French delegation would not participate in the Reply but would recommend their government to accept its proposals.	916
<b>134</b> THIRD MEETING OF SUB-COMMISSION OF FIRST COMMISSION 10.30 a.m. P.C.S. 12	May 16	Signor Schanzer's explanation of the Memo. submitted to the Russian delegation; discussion of its articles with M. Chicherin: Viscount Ishii's statement of Japanese position regarding the Far Eastern Republic: decision to allow Russian delegation twenty-four hours to consider the Memo.	925
<b>135</b> MEETING OF INVITING POWERS 5 p.m. P.C.I. 2	May 16	Discussion of (i) Eastern Galicia and Lithuania (ii) Hungarian and Bulgarian Ethnic Minorities (iii) the Port of Dedegatch (see Annex I) (iv) the Warsaw Health Conference (v) the Red Cross in peace time (see Annex II): discussion of the form of the Final Act of the First Commission and the date of its termination.	937
<b>136</b> FOURTH MEETING OF SUB-COMMISSION OF FIRST COMMISSION 10.30 a.m. P.C.S. 13	May 17	M. Chicherin's statement on the proposals submitted to the Russian delegation (see No. 132, Annex): replies to his statement by members of Sub-Commission: discussion of proposed non-aggression pact: adjournment of meeting until 4.30 p.m.	953
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138 MEETING OF PLENARY SESSION OF FIRST COMMISSION 11 a.m. P.C. 2	May 18	Signor Schanzer's statement on phases of discussion of Russian question and on proposed conference at The Hague: discussion of amended clauses adopted by Sub-Commission (see Annex, and No. 132, Annex): Mr. Lloyd George's proposal that the President of Genoa Conference should make arrangements for meeting at The Hague accepted.	982
139 CONVERSATION BETWEEN BRITISH AND ITALIAN REPRESENTATIVES 12.15 p.m. S.G. 32	May 18	Discussion of French objections to document approved by First Commission (see No. 138): adoption of Mr. Lloyd George's proposal to ask all parties at The Hague not to make separate agreements: discussion of procedure at final meeting of Genoa Conference.	987
140 CONVERSATION BETWEEN BRITISH AND GERMAN REPRESENTATIVES 5 p.m. S.G. 32	May 18	Discussion of (i) Reparations (ii) the 'Schutzpolizei' (see App. I) (iii) German attitude towards the League of Nations, and towards the forthcoming plenary session (iv) the attitudes of the United States and France towards Germany (v) the work of the Conference of Ambassadors (see Apps. II and III).	990
141 CONVERSATION BETWEEN BRITISH, ITALIAN AND JUGOSLAV REPRESENTATIVES 6.15 p.m. I.C.P. 249B	May 18	Discussion of the Fiume question and the Zara Convention: the opinions of the Italian and Yugoslav experts.	1001
142 THIRD PLENARY SESSION OF THE GENOA CONFERENCE 9 a.m.	May 19	Adoption of minutes of Second Plenary Session and resolutions on finance and transport (see No. 109, Annex): statements by Signor Schanzer, M. Colrat and Dr. Rathenau on the resolutions of the Economic Commission: M. Chicherin's objections to the Economic Commission: adoption of the resolutions of the Economic Commission: Signor Schanzer's statement on the resolutions of the First Commission: objections of the Lithuanian delegate: adoption, after reservations, of the resolutions of the First Commission: adoption of report of Commission on Credentials and proposal to refer question of Red Cross to League of Nations: concluding speeches of delegates and President on the Conference.	1004

# CHAPTER IV

## Preparations for and Proceedings of The Hague Conference May 23-July 21, 1922

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<b>143</b> MR. GREGORY Genoa Tel. No. 238	May 23	Reports that Italian Govt. has invited (i) all Powers represented at Genoa, except Russia and Germany, to preliminary meeting at The Hague on June 15 (ii) Russia to meeting on June 26: Netherlands Govt. is appointing Secretariat General at The Hague: question of presidency not yet settled.	1039
<b>144</b> SIR A. GEDDES Washington No. 627	May 26	(i) Transmits correspondence with British Delegation, Genoa, on question of U.S. participation in Hague Commission (ii) describes American reaction to Mr. Hughes's attitude on this question (iii) records events leading up to U.S. refusal to participate.	1040
<b>145</b> To SIR C. MARLING The Hague Tel. No. 27	June 2	Agrees with Netherlands Foreign Minister's (i) proposed procedure for welcoming delegations to Hague Conference (ii) view of Conference as Conference of experts.	1041
<b>146</b> To SIR C. MARLING The Hague Tel. No. 29	June 2	Informs of acceptance of Italian Govt.'s invitation to Hague Conference and transmits names of British representatives.	1042
<b>147</b> LORD HARDINGE Paris Tel. No. 303	June 3	Transmits summary of French Govt.'s memo. of June 2 on essential conditions for success of Hague Conference.	1042
<b>148</b> To LORD HARDINGE Paris No. 1761	June 10	Transmits Memo. (Encl.) in reply to French Memo. of June 2 (see No. 147).	1043
<b>149</b> To THE FRENCH AMBASSADOR London	June 10	Letter from Lord Balfour explaining H.M.G.'s interpretation of Pact of Non-Aggression concluded at Genoa (see No. 138, Annex).	1049
<b>150</b> MEETING OF BRITISH EMPIRE DELEGATION, GENOA London 5.20 p.m.	June 12	Discussion of (i) procedure for Hague Conference (ii) credits for Russia.	1050
<b>151</b> SIR G. GRAHAME Brussels Tel. No. 51	June 13	Belgian attitude towards negotiations concerning Russia.	1057
<b>152</b> LORD HARDINGE Paris Tel. No. 321	June 13	Summarises French Govt.'s reply of June 12 to British Memo. of June 10 (see No. 148, Encl.).	1057
<b>153</b> MR. GREGORY The Hague Tel. No. 1	June 14	Reports that agreement has been reached with M. Cattier on certain procedures for Hague Conference.	1058

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154 MR. GREGORY The Hague Tel. No. 2	June 14	Reports discussion between British representatives and M. van Karnebeek of presidency, work, and procedure of Conference.	1059
155 MR. GREGORY The Hague Tel. No. 3	June 15	Transmits account of opening meeting of representatives of non-Russian Powers: M. van Karnebeek elected Chairman.	1059
156 MR. GREGORY The Hague Tel. No. 4	June 15	Reports discussion between Allied representatives and M. van Karnebeek on procedure for meetings of non-Russian representatives on June 16.	1060
157 MR. GREGORY The Hague Tel. No. 5	June 16	Reports meeting of non-Russian representatives at 11 a.m.: adoption of M. Cattier's proposal to appoint a Main Commission and three Sub-Commissions dealing respectively with property, debts and credits.	1062
158 MR. GREGORY The Hague Tel. No. 6	June 16	Reports (i) resumption of meeting of non-Russian representatives at 4 p.m. (ii) discussion of work of Non-Russian Commission.	1063
159 MR. GREGORY The Hague Tel. No. 7	June 16	Informs of M. van Karnebeek's statement to British representatives that representation on Main Commission had been requested by nearly every state present.	1064
160 MR. GREGORY The Hague Tel. No. 8	June 19	Reports meeting of non-Russian Powers at 3 p.m.: announcement by (i) M. Benoist, of French intention to participate in meeting with Russians on June 26 (ii) President, of States represented on non-Russian Commission and Sub-Commissions: M. van Karnebeek elected <i>président d'honneur</i> of non-Russian Commission.	1064
161 MR. GREGORY The Hague No. 9	June 19	Transmits copy of notes (Encl.) on work to be done by the Committees on Property, Debts and Credits.	1065
162 MEETING OF BRITISH REPRESENTATIVES AND M. POINCARÉ London 2.45 p.m. I.C.P. 249G (extract)	June 19	Discussion between Mr. Lloyd George and M. Poincaré: agreement that, in event of failure of Conference, fault should be seen to lie with Soviet Govt.	1070
163 MR. GREGORY The Hague Tel. No. 10	June 20	Reports informal conference of Allied and Dutch representatives: discussion of arrangements for meeting of Non-Russian Commission on June 21: agreement on (i) Chairmen of Commission and Sub-Commissions (ii) establishment of Chairmen's bureau: decision that Chairman of Non-Russian Commission should make first communication with Russian delegation.	1071

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164	MR. GREGORY The Hague Tel. No. 13	June 22	Reports that first meeting of Property, Debts and Credits Sub-Commissions discussed (i) methods of approaching Russian delegation (ii) general procedure: classification of claims submitted to First (Property) Sub-Commission by Chairman, Sir P. Lloyd-Greame.	1072
165	MR. GREGORY The Hague Tel. No. 14	June 23	Complains of lack of information about situation in Moscow: asks to be kept regularly informed.	1073
166	MR. GREGORY The Hague Tel. No. 15	June 23	Reports that meeting of First Sub-Commission approved revised classification of claims.	1074
167	MR. GREGORY The Hague Tel. No. 16	June 24	Reports that at meeting of Third Sub-Commission plan of procedure based on British and French proposals was provisionally adopted.	1075
168	BRITISH DELEGATION The Hague Tel. No. 18	June 26	Reports that meeting of Second Sub-Commission agreed (i) on provisional programme for negotiations with Russians (ii) to allow Russians as much latitude as possible to develop their own viewpoint and plans.	1075
169	BRITISH DELEGATION The Hague Tel. No. 19	June 26	Reports (i) arrival of Russian delegation without MM. Krassin and Rakowsky (ii) agreement on procedure for meetings between Russian delegation and Non-Russian Sub-Commissions reached at meeting between M. Platijn (President of Non-Russian Commission) and M. Litvinoff.	1075
170	BRITISH DELEGATION The Hague Tel. No. 21	June 27	Reports that third meeting of Non-Russian Property Sub-Commission (i) finally approved classification of claims (ii) exchanged information on conditions in Russia (iii) discussed M. Litvinoff's discourse to the press (iv) agreed on procedure for meeting with Russians.	1077
171	BRITISH DELEGATION The Hague Tel. No. 26	June 28	Reports first meeting of Debts Sub-Commission with Russian Commission: M. Litvinoff's acceptance of definition by M. Alphand (Chairman) of competence of Debts Sub-Commission: discussion of (i) need for Russians to give general statistical information on budget (ii) undertakings given at Genoa: agreement to adjourn meeting for (a) Russians to answer questionnaire on budget (b) Non-Russian Commission to prepare statistics of claims of Russian nationals.	1078
172	BRITISH DELEGATION The Hague Tel. No. 28	June 29	Reports meeting of Property Sub-Commission with Russian Commission: rejection by Belgian and French delegates of M. Litvinoff's statement of Soviet Govt.'s principles regarding private property: M. Litvinoff's (i) acceptance of classification of claims (see No. 166) and	1080



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173 Mr. HODGSON Moscow Tel. No. 140	June 29	Transmits general observations on factors which may assume prominence at The Hague.	1082
174 BRITISH DELEGATION The Hague Tel. No. 32	June 30	Reports meeting of Property Sub-Commission: discussion of (i) M. Litvinoff's questionnaire concerning claims (see No. 172, n. 9) (ii) Russian request for figures of private property claims (iii) recent Soviet decree on private property: decision to communicate to Russians total claims by countries.	1083
175 BRITISH DELEGATION The Hague Tel. No. 34	June 30	Reports second meeting of Third Sub-Commission with Russian Commission: M. Litvinoff's statement of credits required by Russia.	1084
176 BRITISH DELEGATION The Hague Tel. No. 36	July 3	Reports that meeting of Property Sub-Commission approved (i) Note explaining reserves under which figures of claims would be communicated to Russians (see No. 174) (ii) draft reply to M. Litvinoff's proposal for questionnaire to claimants (see No. 172, n. 9): Sir P. Lloyd-Greame's statement on private interview with M. Litvinoff.	1086
177 BRITISH DELEGATION The Hague Tel. No. 38	July 4	Reports meeting of Property Sub-Commission with Russian Commission. Discussion of questionnaire for Russian claimants; M. Litvinoff's disagreement with Non-Russian Commission's decision on its irrelevance: adjournment of meeting until list of proposed Russian concessions was available.	1087
178 BRITISH DELEGATION The Hague Tel. No. 39	July 4	Reports meeting of Debts Sub-Commission with Russian Commission: statements by (i) M. Sokolnikoff on Russian budget (ii) M. Alphand, on incompleteness of figures of Russian bonds held by foreigners and Sub-Commission's refusal to submit to bondholders M. Litvinoff's questionnaire (see No. 172, n. 9) (iii) M. Litvinoff, on M. Alphand's request for information on Russian Debt and Russian proposals for repayment.	1088
179 BRITISH DELEGATION The Hague Tel. No. 41	July 6	Reports that meeting of Debts Sub-Commission discussed M. Sokolnikoff's budget statement (see No. 178).	1089
180 BRITISH DELEGATION The Hague Tel. No. 43	July 6	Reports meeting of Property Sub-Commission: adoption of Sir P. Lloyd-Greame's proposal for joint Sub-Committee of First and Second Sub-Commissions to examine (i) question of rouble debts and rouble bonds (ii) scope of the two Sub-Commissions on question of public utility	1090

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181 BRITISH DELEGATION The Hague Tel. No. 46	July 7	Reports meeting of Property Sub-Commission with Russian Commission: M. Litvinoff's submission of list of concessions: discussion of restitution of private property: M. Krassin's explanation of his statement at Genoa on principle of restitution or compensation: adoption of Sir P. Lloyd-Greame's proposal that Sub-Commission should examine conditions for restoration of property.	1090
182 BRITISH DELEGATION The Hague Tel. No. 47	July 8	Reports meeting of Credits Sub-Commission: consideration of M. Litvinoff's Notes on his scheme for distribution of foreign credits: decision to confine immediate enquiries to transport and agriculture: discussion of provision of credits for Russia.	1092
183 BRITISH DELEGATION The Hague Tel. No. 49	July 10	Reports meeting of Property Sub-Commission: discussion of conditions for holding restored property in Russia: adoption of Sir P. Lloyd-Greame's proposals for procedure at next meeting with Russians.	1093
184 BRITISH DELEGATION The Hague Tel. No. 51	July 10	Reports that at meeting of Credits Sub-Commission with Russian Commission (i) M. Krassin answered some of Chairman's supplementary questions on M. Litvinoff's credits scheme (see No. 182) (ii) Chairman replied to certain questions in questionnaire on credits submitted by M. Litvinoff.	1094
185 LIEUTENANT-COMMANDER MAXSE Scheveningen	July 10	Letter to Mr. O'Malley, stating that critical stage of Hague Conference had been reached, describing possible alternative developments and raising question of British policy in event of Russians offering terms unacceptable to French.	1096
186 BRITISH DELEGATION The Hague Tel. No. 56	July 12	Reports meeting of Property Sub-Commission with Russian Commission: discussion of Russian list of concessions, restitution, and compensation: Russian delegation (i) replied to Sir P. Lloyd-Greame's 19 questions (n. 5) on conditions for working concessions in Russia (ii) refused to discuss compensation until question of credits had been settled: Sir P. Lloyd-Greame's objection to Russian attitude.	1097
187 BRITISH DELEGATION The Hague Tel. No. 58	July 12	Reports meeting of Debts Sub-Commission with Russian Commission: questions on Russian budget answered by M. Sokolnikoff: discussion of Soviet recognition of Russian debts and question of moratorium: M. Litvinoff's proposal for	1102

NO. AND NAME	DATE	MAIN SUBJECT	PAGE
		global settlement of Russian indebtedness and rejection of suggestion for International Debt Commission for Russia.	
188 SIR C. MARLING The Hague Tel. No. 38	July 13	Transmits message from Sir P. Lloyd-Greame seeking authorisation to support recommendation that Govts. should not support nationals in acquiring property in Russia formerly owned by foreign nationals without consent of former owners: reports French, Italian, Belgian and Dutch pressure for this recommendation.	1104
189 BRITISH DELEGATION The Hague Tel. No. 60	July 13	Reports that (i) Meeting of Standing Orders Committee decided unanimously that negotiations on Property Sub-Commission could not be continued (ii) Meeting of First Sub-Commission approved Sir P. Lloyd-Greame's resolution that, in view of Russian statement at yesterday's meeting (see No. 186), further meetings with Russians were useless.	1105
190 BRITISH DELEGATION The Hague Tel. No. 61	July 13	Reports that meeting of Credits Sub-Commission decided, despite Russian attitude at previous meeting (see No. 186), to hold further meeting with Russians, on July 14 at 10.30 a.m., to answer statements made by MM. Krassin and Litvinoff.	1106
191 BRITISH DELEGATION The Hague Tel. No. 65	July 14	Reports meeting of Credits Sub-Commission with Russian Commission: statements by (i) Baron Avezana (President) explaining effect on Credits Sub-Commission of First Sub-Commission's decision not to hold further meetings with Russians (see No. 189) (ii) Commander Hilton-Young on H.M.G.'s views on credits (iii) M. Krassin on Russian need for credits (iv) M. Litvinoff on work of Hague Conference, compared with that of Genoa (v) President on Sub-Commission's intention to report facts to full Commission.	1107
192 BRITISH DELEGATION The Hague Tel. No. 66	July 14	Reports meeting of Debts Sub-Commission: adoption of Sir S. Chapman's proposals that (i) Secretariat should communicate directly to Russians decision to discontinue discussions (ii) Reports of First and Second Sub-Commissions should contain reasons for rejection of Russian proposal for global settlement of debts (see No. 187) (iii) Sub-Commission should not refuse any request for further meeting.	1111
193 BRITISH DELEGATION The Hague Tel. No. 67	July 15	Informs that (i) Sub-Commissions will discuss Reports on July 17 (ii) Non-Russian Commission will hold final plenary session on July 19.	1112

NO. AND NAME	DATE	MAIN SUBJECT	PAGE
<b>194</b> To SIR C. MARLING The Hague Tel. No. 43	July 15	Refers to No. 188 and transmits message for Sir P. Lloyd-Greame, authorising him to support joint recommendation, provided that (i) it is made to all Govts. not represented at Hague Conference, including Germany and U.S.A. (ii) no decision is reached except jointly with those Govts.: suggests amendments to phrasing of recommendation.	1113
<b>195</b> To SIR C. MARLING The Hague Tel. No. 44	July 15	Refers to No. 194: transmits message for Sir P. Lloyd-Greame, suggesting that settlement in each particular case should be left to parties concerned.	1113
<b>196</b> BRITISH DELEGATION The Hague Tel. No. 71	July 15	Reports that at meeting of Standing Orders Committee (i) British Delegation objected to M. Alphand's proposed procedure at final plenary session (ii) British suggestion adopted that, in statement to Russians, President should give opportunity for a new offer: informs of indirect indications that Russians may yet make a proposal.	1114
<b>197</b> TO THE BELGIAN AMBASSADOR London	July 17	Letter from Lord Balfour, referring to Belgian Govt.'s request that Sir P. Lloyd-Greame be instructed to support proposal for joint recommendation described in No. 188: informs that he had been authorised to support this recommendation subject to provisions in No. 194.	1115
<b>198</b> BRITISH DELEGATION The Hague Tel. No. 82	July 17	Reports (i) discussion in President's Bureau of Russian letter of July 16 (see n. 2) (ii) adoption, despite initial French objection, of British proposal to hold further meeting with Russians on July 18 (iii) decision to treat Sub-Commissions' Reports as interim Reports to be considered by Plenary Commission after meeting with Russians.	1116
<b>199</b> BRITISH DELEGATION The Hague Tel. No. 85	July 18	Reports that meeting of Property Sub-Commission (i) agreed to adjourn for Plenary Session to consider Russian letter of July 18 (see n. 4) (ii) persuaded French delegate to withdraw proposal that Sub-Commission should formally submit Report to Plenary Commission: informs that meeting of President's Bureau agreed to invite Russians to Plenary Session to consider any new proposals.	1117
<b>200</b> BRITISH DELEGATION The Hague Tel. No. 86	July 18	Reports that (i) British delegation had been in constant touch with Russians (ii) indications of possible new Russian proposals on debts and compensation were illusory (iii) impossibility of saying whether Russians will make new proposals.	1119
<b>201</b> MR. KNATCHBULL- HUGESSEN The Hague	July 18	Transmits message from Sir P. Lloyd-Greame: reports decision at plenary meeting of Non-Russian Commission, to meet	1119

NO. AND NAME	DATE	MAIN SUBJECT	PAGE
Tel. No. 45		<b>Russians on July 19 to hear any new proposals.</b>	
<b>202</b> SIR C. MARLING The Hague Tel. No. 46	July 19	<b>Transmits message from Sir P. Lloyd-Greame containing text of Russian Commission's proposal at meeting with Russian Commission on question of (i) debts (ii) compensation: Non-Russian Commission to discuss proposal in afternoon.</b>	1120
<b>203</b> SIR C. MARLING The Hague Tel. No. 48	July 19	<b>Transmits message from Sir P. Lloyd-Greame containing text of resolution on Russian proposal of June 19 (see No. 202) adopted at plenary session of Non-Russian Commission.</b>	1121
<b>204</b> To SIR C. MARLING The Hague Tel. No. 50	July 20	<b>Message from Lord Curzon to Sir P. Lloyd-Greame (i) informs that question of prolonging negotiations with Russians is left to his judgement (ii) instructs as to attitude and procedure at final session of Conference.</b>	1122
<b>205</b> BRITISH DELEGATION The Hague Tel. No. 96	July 20	<b>Reports adoption, with French reservation, at final plenary session of Non-Russian Commission, of resolution concerning acquisition of property in Russia which formerly belonged to foreign nationals (see No. 188).</b>	1123
<b>206</b> RUSSIAN DELEGATION The Hague	July 21	<b>Transmits Memo. on new Soviet legislation concerning Rights of Ownership and Personal Rights in Soviet Russia.</b>	1124



## CHAPTER I

# Proceedings of the Conference of Cannes and Records of Conversations connected therewith January 4—13, 1922

### No. 1

I.C.P. 220A] *British Secretary's Notes of a Conversation between Mr. Lloyd George and M. Briand, held at the Villa Valetta, Cannes, on Wednesday, January 4, 1922*

**PRESENT:** *British Empire:* The Right Hon. D. Lloyd George, O.M., M.P., Prime Minister; Sir Edward Grigg, K.C.V.O., C.M.G.<sup>1</sup>

*France:* M. Briand, President of the Council; M. Loucheur, Minister for the Liberated Regions.

**INTERPRETER:** M. Mathieu.

After some preliminary conversation regarding the Parliamentary situation in Paris,<sup>2</sup> and the preliminary arrangements for the Conference, M. BRIAND asked what Mr. Lloyd George's view was regarding the order of business.

MR. LLOYD GEORGE said it was impossible to solve these questions piecemeal. It was essential that they, as responsible statesmen, should put the whole case before their peoples. It was felt that hitherto they had not dealt with the greatest difficulties. These, in consequence, broke out in the Press which represented realities. In his view, French, British, Belgian, Italian and German opinion must now be made to feel that the real questions had been faced. He asked M. Briand to join him in taking up the problem boldly and in advising his country, as he, Mr. Lloyd George, would advise his own, without regard to criticism, to say that as men of experience 'this is the plan we recommend' and to stand by the consequences. The countries might reject it, but he did not think they would. He was, therefore, against a discussion of Agenda in the first instance. If the Conference led only to provisional decisions on separate subjects, the public would know that the Cannes Conference had been a failure.

M. BRIAND entirely agreed. He said he was willing to take responsibility before French opinion. That opinion had often been unfavourable and even violent, and he had often had to restrain it, and had done so with success. He felt now he had reached the end of his tether, and that the basis of the

<sup>1</sup> Private Secretary to Mr. Lloyd George.

<sup>2</sup> On December 27, 1921, M. Briand's government had survived, by 391 votes to 604, a vote of confidence on their attitude to the bankruptcy of the Banque Industrielle de Chine.

trouble was the absence of a definite and precise understanding (*accord*) between Great Britain and France. What was needed was a solid and serious agreement of long duration. Given that, other nations would conform. That was the French view. How to achieve it remained to be thought out, but he wanted to discuss the whole problem from this standpoint. He had told the Prime Minister this in London,<sup>3</sup> and after further consideration, he felt it even more strongly now.

MR. LLOYD GEORGE said that this was how the problem presented itself to him:

What were the points on which public opinion in the two countries was restive? He was a Celt and therefore studied the Englishman with some detachment. He realised that the Englishman, who moved slowly, was very moved, and the movement of his feelings was away from France. This was very serious because he would move back equally slowly. Great Britain and France were the two main pillars of the temple of peace, and the divergence of sentiment between them should be stopped.

What was France disquieted about? He thought, in the main, two things. In the first place, she had her devastated area and had to disburse large sums to repair it which made a gap in her budget and made reparation by Germany essential. In the second place, there was a formidable country across the frontier which was even now, after much loss of population, 20 millions stronger than France. The results of the last census he knew must be disquieting to French opinion. Germany, moreover, had five million trained men with a large corps of officers and non-commissioned officers, and France could not overlook the fact that these might some day be re-armed. It was essential to France that the difference between her population of 40 millions and the German population of 60 millions should be made up by a stalwart friend.

Our difficulty, on the other hand, was unemployment and the devastation of our trade. We were the most heavily taxed country in the world. We had two million unemployed. We paid £2,000,000 a week to keep them alive. We might be called on at any moment to pay a debt of £1,000,000,000 to the United States—indeed, we meant to pay it. Our recovery was impossible at present, because as an exporting country we depended upon the revival of the markets of the world. What we needed, therefore, was peace and reconstruction. This was true to some degree of France, who would be more of an exporting country now than in the past with Alsace-Lorraine and the Saar, but foreign trade was the life-blood of Great Britain and must be restored.

The question before them now was to think out something to meet these three necessities. They must do it all together. He must be able to say: 'I agree to give France A and B, and France agrees to give us C.' It would not do to say that he had given France A and B, and that France was only considering C.

M. BRIAND agreed that all three questions must be solved together.

<sup>3</sup> See Vol. XV, No. 110, and cf. Vol. XVI, No. 768.



MR. LLOYD GEORGE said that with regard to reparations when the subject was discussed at Chequers<sup>4</sup> he had hoped that the United States would come in. In that case, the British Government would have undertaken to cancel all their claims on France, Italy and Germany, with the exception of reparation for some loss and damage done. Participation by the United States in an economic settlement had been found impracticable. The British Government was therefore prepared to stand by the alternative plan agreed upon later in London,<sup>5</sup> under which Great Britain would forego considerable claims and make considerable sacrifices in order that France might have considerable advantages. France would, further, probably get the whole of her annuity in the present year and possibly more. This represented a considerable gain for her at British expense.

With regard to the safety of France, he knew that her apprehension was of another German attack, not perhaps tomorrow, but sooner or later. It seemed that Germany must inevitably cherish ideas of revenge. France had been invaded four times in 120 years, as he had read that morning in an otherwise not well-informed article in the French Press. The French fear was therefore natural. Germany, however, would not attack France unless certain that she could overwhelm her. She would not have declared war in 1914 had she known for certain that Britain would come in. She only credited us then with six divisions. She knew now that we had 2 million men in the field in France in the last two years of the war, and even by the end of the first year we had 4 hundred thousand. That would make Germany think very hard before facing the British Empire together with France again. Germany also knew that we had a great reserve, like her, of trained officers and men which would last as long as her own. If England and France stood together against the German menace to France, Germany would give up the idea. It was important to divert the German mind from revenge, and he believed that by means of a British guarantee to France it could be done.

Reverting to reparations, while this was being translated, the Prime Minister explained that the reparation arrangement should put France right for two or three years until a wider financial settlement was possible.

Continuing, he said that there were two ways of giving a guarantee.

The first was by means of an offensive and defensive alliance. This was contrary to the whole course of British tradition. He would only be able to carry it with great opposition in the House of Commons, not only from Labour and Asquithian Liberals, but also amongst the forces of the Government. This would in reality destroy its value to France. The Japanese Alliance<sup>6</sup> had also not been popular, not because there was any unfriendliness to Japan—far from it—but because the British people did not like alliances. He did not think, therefore, that an alliance would prove the best security to France.

The other alternative was a promise to France to stand by her with all the

<sup>4</sup> See Vol. XV, No. 105, n. 2, and No. 107.

<sup>5</sup> Ibid., No. 111, Appendix 3.

<sup>6</sup> Of January 30, 1902; see *B.F.S.P.*, vol. 95, pp. 83-4.

forces of the Empire against a German invasion of her soil. This had been discussed at the last Imperial Conference,<sup>7</sup> and he thought it would be endorsed by the great British Dominions which, it must be remembered, had placed one million fighting men of first quality in the field in France. It was essential to carry Dominion opinion with them and he thought that Dominion opinion would support a guarantee, but that it would not favour an alliance. He would state later certain conditions on which a guarantee could be given.

M. BRIAND said that he had studied the question from what he thought to be a larger point of view. He had done so with no selfish motive, but in the belief that his suggestions would be likely to be well received by British opinion, particularly by British labour. Labour wanted peace and had always been the strongest supporters of the League of Nations because they saw in it the prospect of a federal Europe and a stable guarantee of peace. They all saw, however, that the League of Nations was powerless to keep the peace because it was unarmed. He had consequently found much sympathy in Labour's attitude for an Entente between Great Britain and France in some stable form, round which might be grouped all the Nations which were signatories to the Treaty of Versailles. The basis of such an Entente might be, he thought, an undertaking to discuss all points of difference when they arose, and when agreement failed, to resort to arbitration under guarantees from Great Britain and France. It was from this standpoint that he looked at the question of French security. This undoubtedly was the crux. It obliged France to keep up great armaments which she could not afford, and not only France, but Poland and the Succession States. Russia was a great subject of anxiety in France. She had 800,000 men under arms and a million more in reserve. Their equipment was fairly good and he had reliable information that considerable consignments of arms had been sent there from Germany. France regarded the safety of Poland and Czechoslovakia with great anxiety. He did not know whether British opinion would support an arrangement such as he contemplated, but he thought it might be well received, and he wanted a solution which would be supported by Great Britain with a whole heart.

While this was being translated, Mr. Lloyd George expressed some doubt as to the equipment available in Russia. It consisted, he said, mainly of the arms given to Denikin<sup>8</sup> by Great Britain, and to Wrangel<sup>9</sup> by France.

MR. LLOYD GEORGE in reply said that he would deal at once with the question of security. British public opinion was doubtful about an alliance for the very reason which M. Briand advanced on behalf of it, namely, the

<sup>7</sup> Held June 20 to August 5, 1921; see Cmd. 1474 (1921), *Conference of Prime Ministers and Representatives of the United Kingdom, the Dominions, and India, held in June, July, and August, 1921. Summary of Proceedings and Documents.*

<sup>8</sup> Commander-in-Chief of the White Russian forces in South Russia (see Vol. III, Chap. II; Vol. XII, Chaps. IV and V; and Vol. XV, No. 108, n. 6).

<sup>9</sup> Russian general, the commander of forces formerly under General Denikin, whose government was recognized by the French as the *de facto* government of South Russia in August 1920 (see Vol. XI, No. 417, n. 2; Vol. XV, No. 4, n. 7; and Vol. XVII, No. 70).

security of Poland and Czecho-Slovakia. He remembered saying in the House of Commons that if the Russians went to Warsaw it might be necessary for British military aid to be sent to Poland,<sup>10</sup> and he had noticed that a shudder went through the whole House, even amongst the old Tories. He did not know whether the feeling was the same in France, but Marshal Foch<sup>11</sup> had told him at Spa<sup>12</sup> that France would not send a single Cavalry Regiment to guarantee Poland. He had some doubt whether the French people would be willing to make sacrifices to defend Poland and Czecho-Slovakia. However that might be, if there was an alliance it must be one which British opinion thoroughly understood. British opinion would accept no military commitments except in France. They did not understand the necessity of fighting for Poland and Czecho-Slovakia and they would never allow themselves to be concerned in an alliance with liabilities of that kind.

M. BRIAND said he had not been thinking of an alliance actually extending in that sense to Poland and Czecho-Slovakia, nor to military obligations on their account, but only of an alliance which might keep the peace there by non-military means. His idea was that trouble might be met at the outset by means of conferences in which Great Britain and France would act together. He was not prepared to say, however, that an understanding limited to the protection of France against attack might not serve the same purpose.

MR. LLOYD GEORGE said that in his opinion the essential thing for France was a guarantee against German invasion. Germany was France's only real danger. Russia could not attack France. So far as he knew, Russian troops had only once reached French soil, and that was when Russia was in alliance with Great Britain.<sup>13</sup> He thought, therefore, that it would be possible to build up a stable peace in Europe on a basis of a guarantee by Great Britain to France against invasion by Germany.

M. BRIAND asked what were the conditions he had mentioned as the basis of such a guarantee.

MR. LLOYD GEORGE said that the point was how to build the guarantee up into a thorough-going Entente. To do so it would be necessary to clear up certain questions. This had been the method adopted in regard to the agreement of 1904.<sup>14</sup> The Entente had been made possible then by a general disposal of difficult questions. He believed that precedent applied to the present situation. He was not going to discuss the conditions of such a guarantee but would just mention them. The first was the Eastern Question. It was necessary that Great Britain and France together should do their utmost to secure a satisfactory peace between Greece and Turkey and the settlement of the Eastern Question.<sup>15</sup> The second was the question of

<sup>10</sup> The reference is presumably to Mr. Lloyd George's speech of August 10, 1920 (see 133 *H.C. Deb.* 5 s., cols. 259-64).

<sup>11</sup> President of the Allied Military Committee of Versailles.

<sup>12</sup> See Vol. VIII, No. 51A.

<sup>13</sup> In 1814.

<sup>14</sup> See G. P. Gooch and Harold Temperley, *British Documents on the Origins of the War 1898-1914* (London, 1927-1938), vol. ii, chap. xv.

<sup>15</sup> See Vol. XVII.

Tangier.<sup>16</sup> He asked whether M. Briand had any objection to his putting these points bluntly.

M. BRIAND said 'By no means.' He was anxious that all the questions should be posed.

MR. LLOYD GEORGE continuing thanked M. Briand and said that the third point which he would mention was not a condition but rather a warning. It related to British anxiety about the French programme for the construction of submarines.<sup>17</sup> He had had considerable experience of submarine warfare during the last two years of the war, and he was convinced that the only effective use of submarines in war was against commerce. The great difficulty was that if France began building submarines in large numbers, British opinion would insist upon a programme of anti-submarine craft. No Entente would therefore survive a great submarine building programme in France. He mentioned this, not as a condition, but simply as a warning.

M. BRIAND said that he fully realised the strength of the British emotion on that point. He did not, however, take it seriously, because the idea that French submarines could be pointed at Great Britain was inconceivable. The guarantee which the Prime Minister proposed would relieve France of the necessity of undertaking a submarine programme as the means of establishing a second naval line. There were, of course, Anglophobes in France, but if their ideas were taken seriously, the whole French nation would rise against them. France would be ready, not merely with relief but with keen joy, to settle all such naval questions with Great Britain on the basis of an Entente. She would be only too happy not to have to make the effort of building a large fleet of submarines. He mentioned that France had authorised her delegates in Washington to accept the Root resolutions<sup>18</sup> on the use of submarines.

MR. LLOYD GEORGE acknowledged this gratefully and said that there was no need to take their arguments upon submarines too seriously, but he thought it necessary, however, to point out the danger of the two countries being drawn imperceptibly by the submarine question into a rivalry of construction. It would be impossible for British opinion to see a great fleet of submarines established on the French coast without a proportionate anti-submarine armament in British harbours. It would thus come about that Great Britain and France would be building against each other with most unhappy results. He was sure that M. Briand would not mistake the spirit in which he gave this warning.

Mr. Lloyd George continuing said he would mention the fourth and last condition. This was that Great Britain and France should march together for the economic and financial reconstruction of Europe. They would be

<sup>16</sup> See Vol. XVII, Nos. 397, 508, and 517. For the negotiations on the status of Tangier, see *Survey of International Affairs 1925*, vol. i (London, 1927), p. 169, and Graham H. Stuart, *The International City of Tangier* (Stanford, 1955), pp. 56-77.

<sup>17</sup> Cf. Vol. XIV, Nos. 438, 442, 443, and 448.

<sup>18</sup> See Vol. XIV, No. 546.

able to carry this much further if the United States came in, but failing the United States he was convinced that France and Great Britain must take the initiative. He hoped, therefore, that M. Briand would agree at once to the summoning of a European economic conference including all the countries of Europe.

M. BRIAND 'Russia?'

MR. LLOYD GEORGE 'Yes, Russia.' There was no use in sending conditions in writing to Russia. At present they were not meeting the Russians that really mattered. It was essential if any progress was to be made that the heads of the Russian Government should meet them in conference. M. Savinkoff<sup>19</sup> had suggested a meeting at Prague and had thought that Lenin<sup>20</sup> might possibly attend it. He, Mr. Lloyd George, was prepared to attend a meeting anywhere in Europe, but he hoped it would not be Brussels; he hated Brussels in winter.

M. LOUCHEUR said that he had seen M. Savinkoff and that he had left the same impression on his mind as on that of Mr. Lloyd George. He asked whether it would not be better to postpone the plenary meetings of the present Conference until matters had been further advanced in informal conversations. He thought three or four days would be necessary for this.

M. BRIAND objected and said that a postponement of the first meeting of the Conference would be very badly received by the Press.

MR. LLOYD GEORGE agreed and said that they must certainly have their meeting on Friday.<sup>21</sup> It would be quite easy to make general opening speeches and then to refer matters to sub-committees. He undertook to send M. Briand a document summarising the heads of this conversation by midnight.

M. BRIAND thanked him and said he would be prepared to discuss it further tomorrow afternoon. A meeting was therefore fixed for 4 o'clock at the Villa Valetta on January 5th.<sup>22</sup>

It was also arranged that the first meeting of the Conference should take place on Friday the 6th at 11 a.m.

M. Briand on leaving shook the Prime Minister's hand very warmly and declared that nothing could possibly come between Great Britain and France.

MR. LLOYD GEORGE said that so far as in him lay he was determined that the two countries should always think and act together.

At the outset of the conversation M. Briand told Mr. Lloyd George with much amusement of a *bon mot* made to him by M. Ribot<sup>23</sup> just before he left Paris: 'Ah, Briand,' M. Ribot had said, 'vous êtes déjà allé à Canossa. Prenez garde que vous n'alliez pas à Cannes aussi!'

*Carlton Hotel, Cannes, January 5, 1922*

<sup>19</sup> A former member of the Kerensky Government who had organised military formations from Russian refugees in Poland (see Vol. XI, No. 545, n. 1).

<sup>20</sup> President of the Soviet Russian Council of People's Commissars.

<sup>21</sup> January 6; see No. 5, below.

<sup>22</sup> See No. 3, below.

<sup>23</sup> A French Senator and former President of the Council.

## No. 2

I.C.P. 220B] *British Secretary's Notes of a conversation between Mr. Lloyd George and Signor Bonomi, held at the Villa Valetta, Cannes, on Wednesday, January 4, 1922, at 6.45 p.m.*

PRESENT: *British Empire*: The Right Hon. D. Lloyd George, O.M., M.P., Prime Minister; SECRETARY: Mr. T. Jones.<sup>1</sup>  
*Italy*: Signor Bonomi, Prime Minister.  
INTERPRETER: Signor Buti.

MR. LLOYD GEORGE, after welcoming Signor Bonomi, said it was desirable that he should examine the suggestions put forward as the result of the Conference with M. Briand in London<sup>2</sup> before they were presented on Friday. They were suggestions for discussion and not a formal agreement.

SIGNOR BONOMI asked if Italy would get anything in kind or in specio.

MR. LLOYD GEORGE. We shall be put in a worse position this year if the suggestions are carried out. We were prepared for that in order to help France.

SIGNOR BONOMI said he would be much interested to learn if the suggestions were going to help to salvage Eastern Europe and Germany. According to the Press reports, Germany was to pay 500,000,000 gold marks. Would not that embarrass Germany?

MR. LLOYD GEORGE. It would help Germany indirectly. He was anxious that the present Conference should be much more than a Conference on Reparations. It should aim at setting Europe on its feet again; that was the most important task before them.

SIGNOR BONOMI said that on that point he was in full agreement with Mr. Lloyd George. They both shared the same ideas in regard to Germany and Russia. Both wanted to put the vanquished in a position to comply with the conditions of the Treaty.

MR. LLOYD GEORGE said it was important to remember that before the war Germany was more dependent than the rest of Europe for trade on Russia and the Eastern States and unless that trade was restored, Germany could not fulfil her obligations under the Treaty. His own view was that there should be an Economic Conference to which all representatives of the leading countries of Europe, including Russia, should be summoned. At present the method of working through an agent in London who had constantly to consult Moscow was most unsatisfactory and made progress very slow. We were impotently looking on upon Russia stricken with famine and with thousands dying. It was much better to endeavour to arrange a European Conference of the responsible leaders of the Allies, who would meet the responsible leaders of Russia, Germany and Austria to consider the reconstruction of Europe, instead of a Conference of experts like that held at Brussels.<sup>3</sup>

<sup>1</sup> Mr. Thomas Jones, Principal Assistant Secretary to the Cabinet.

<sup>2</sup> See Vol. XV, Chap. VII.

<sup>3</sup> It is not absolutely clear to which conference Mr. Lloyd George was referring. A

SIGNOR BONOMI agreed but was inclined to doubt whether France would share these ideas. Italy had not formally recognized Russia but was on the way to doing so.

MR. LLOYD GEORGE emphasised the fact that the Conference would be an economic rather than a diplomatic Conference. It would make suggestions for reconstruction involving certain measures of control, e.g. over railways. Such measures would be unwelcome to the Russians and they would demand full diplomatic recognition. We should then be able to say that on conditions we would grant the recognition asked for. These conditions would include:

- (1) Recognition by the Russian Government of obligations to pay national debts, including those incurred under the Czarist régime;
- (2) Compensation for damage to our nationals;
- (3) The impartial treatment in Russian Courts of any new investments made as a result of the Conference.

Broadly, what these conditions amount to was a guarantee of security for trade and industry.

SIGNOR BONOMI said that substantially the Italian Government had made a declaration on similar lines with the addition of a condition dealing with the return of prisoners.

MR. LLOYD GEORGE said that he thought France would be influenced by what Great Britain was prepared to do in the matter of guarantees for her security. The joint guarantee with the United States of America of June 1919<sup>4</sup> had fallen through. If now Great Britain were alone to give a guarantee of assistance to France in the event of unprovoked aggression by Germany, it would be on the distinct condition that France was prepared to march with Great Britain and Italy to the reconstruction of Central Europe and Russia.

SIGNOR BONOMI: 'It would not be an Alliance?'

MR. LLOYD GEORGE: 'No. We could not enter into an exclusive alliance with France and leave Italy out. British public opinion is too friendly to Italy to allow that.'

SIGNOR BONOMI said that he heard that assurance with much pleasure as an exclusive alliance would have a bad reaction in Italy.

Reverting to the question of reparations and to the recent discussions in London between the British and French, Signor Bonomi said he gathered that neither England or Italy would receive anything. A bad impression

conference, held under the auspices of the League of Nations, met in Brussels in September 1920. The eighty-six delegates from thirty-nine countries were appointed as experts and not as spokesmen of official policy (see Hans Aufricht, *Guide to League of Nations Publications* (New York) 1951, pp. 218-19; see also No. 49, Appendix 1, below). Another conference, that of the International Commission for Russian Relief, met in Brussels on October 6-8, 1921, and, according to a report of October 11 (N11673/8614/38) by Sir Philip Lloyd-Greame, Parliamentary Secretary to the Board of Trade, resolved that Russia, to qualify for assistance, must recognise existing debts and other obligations, and provide adequate security for 'any credit given in the future'.

<sup>4</sup> Of June 28, 1919 (see *B.F.S.P.*, vol. 112, pp. 213-15).

would be made in Italy unless all the Allies were called upon to bear sacrifices, France and Belgium included. He did not want to enter into details but he understood that out of the payment of 500,000,000 gold marks to be made by Germany in 1922, England and France would be paid for their armies of occupation and Belgium would receive her priority claims. He wished to remind Mr. Lloyd George that Italy had an army of occupation in Austria.

MR. LLOYD GEORGE pointed out that Germany had not agreed to pay for it. There had been solidarity between the Allies in the matter of reparations, but not in the matter of payment for the armies of occupation. Great Britain had never been paid for the troops in Turkey.

SIGNOR BONOMI said that he thought the position had been changed by the agreement of August 13th 1921,<sup>5</sup> and that the French army of occupation was going to be credited with the value of the Saar basin.

MR. LLOYD GEORGE said that he was not familiar with all the details of the August agreement which Signor Bonomi had better discuss with Sir Robert Horne,<sup>6</sup> but he believed the agreement had not been ratified.

SIGNOR BONOMI replied that the failure to ratify the August agreement had a bad effect in Italy. He was anxious to strengthen the good-will between England, France and his own country, and if he went back empty handed he would be bitterly criticised.

MR. LLOYD GEORGE said that British public opinion was also irritated with France on the question of submarines.<sup>7</sup> If France persisted in her policy of building submarines Great Britain would have to build anti-submarine craft. There was this to be said for France that her richest province had been devastated and the damage had not yet been repaired.

SIGNOR BONOMI said he freely acknowledged that France had suffered the severest damage, but if France with her large army went in for a big naval policy, while Italy retained an army and navy of a negligible size, Italian public opinion would be full of resentment. Italy would not mind if all the Allies alike, France and Belgium included, had to reduce their claims upon Germany. Italian business men were much concerned to avoid making such demands upon Germany as would lead her to print more paper money and drive the value of the mark still further down.

MR. LLOYD GEORGE pointed out that the proposal was to give her four months in which to pay the 500 millions and that she should also be given a guarantee that she would not be molested for the rest of the year. That sense of security would tend to improve the value of the mark. Further, her position would be helped by the fact of her co-operating with the other Powers in the task of industrial reconstruction.

In conclusion Mr. Lloyd George stated that he had discussed the question of the guarantee to France and of the economic Conference with M. Briand.<sup>7</sup> No agreement had been reached and it was important that nothing should be said about these matters to the public at this stage. He would like if [*sic*]

<sup>5</sup> See Vol. XV, p. 737.

<sup>6</sup> The Chancellor of the Exchequer.

<sup>7</sup> See No. 1.



Signor Bonomi would consider the suggestions which had been discussed in London<sup>2</sup> and in Paris<sup>8</sup> and he suggested that they should resume their conversation on Thursday<sup>9</sup> at 6.0 p.m. In the meantime Signor Bonomi would have an opportunity of discussing reparations with Sir Robert Horne, M. Loucheur, and M. Theunis<sup>10</sup> at the Conference arranged for Thursday morning at 11.30.

Signor Bonomi agreed to these arrangements.

*Cannes, January 4, 1922*

<sup>8</sup> See Vol. XV, Chap. VIII.

<sup>9</sup> January 5; see No. 4, below.

<sup>10</sup> Belgian Prime Minister and Minister of Finance.

### No. 3

I.C.P. 220D] *British Secretary's Notes of a Conversation between Mr. Lloyd George and M. Briand, held at the Villa Valetta, Cannes, on Thursday, January 5, 1922, at 4 p.m.*

**PRESENT:** *British Empire:* The Right Hon. D. Lloyd George, O.M., M.P., Prime Minister; The Right Hon. Sir L. Worthington-Evans, Bart., M.P., Secretary of State for War; Sir Edward Grigg, K.C.V.O., C.M.G.

*France:* M. Briand, President of the Council; M. Loucheur, Minister for the Liberated Regions.

**INTERPRETER:** M. Mathieu

M. BRIAND said that he had received Mr. Lloyd George's aide-memoire (A.J. 311)<sup>1</sup> and had studied it. He would like enlightenment on certain points in it; in particular he would like Mr. Lloyd George's views on the Eastern question<sup>2</sup> and on Tangier.<sup>3</sup>

MR. LLOYD GEORGE said that he was not prepared to discuss the question of Tangier. He understood that proposals had been put forward by the French Government under which Tangier might cease to be an independent port, and that these proposals were regarded as unacceptable. He was not, however, in full possession of the facts and he would prefer M. Briand to discuss the matter with Lord Curzon.

With regard to the Eastern question—had M. Briand received Lord Curzon's memorandum<sup>4</sup> yet?

M. BRIAND said that he had, but that it was being translated, and he had not yet studied it.

MR. LLOYD GEORGE said that he would be prepared to discuss it if necessary after M. Briand had had an opportunity of studying the memorandum, and had discussed it with Lord Curzon.

<sup>1</sup> Not printed. A copy (W1489/50/17) of this aide-memoire was communicated by the Cabinet to the Foreign Office, where it was received on February 15. It is printed in Cmd. 2169 (1924), *Papers respecting Negotiations for an Anglo-French Pact*, No. 34.

<sup>2</sup> See Vol. XVII.

<sup>3</sup> See No. 1, n. 16.

<sup>4</sup> Vol. XVII, No. 496.

M. BRIAND said he entirely agreed as to the fourth condition—the summoning immediately of a European Economic Conference. He felt anxious, however, as to the precautions to be taken in dealing with Russia, and he thought that some condition should be made regarding propaganda, guarantees against future attacks on Border States, and one or two minor questions.

MR. LLOYD GEORGE agreed. He said he would be quite prepared to put in a condition about propaganda and other matters after discussion with M. Briand.

M. LOUCHEUR said the important point was that the heads of the Russian Government should be summoned to the Conference. The conditions would be studied when the Conference had met.

M. BRIAND feared that the Russian Delegates might come with inadequate powers, and would give no answer until they had returned to Moscow and consulted their people.

MR. LLOYD GEORGE said that to avoid this the conditions should be indicated informally in advance so that the Russians might be prepared for them. He had no doubt as to the conditions which the Russians would produce on their side. For instance, if they were to give foreign powers any control of their railways, they would certainly demand recognition of their Soviet Government. We must be ready with our answers on those points.

M. BRIAND agreed.

MR. LLOYD GEORGE said that we could then put our conditions formally, and, if they were accepted, we could act on the Millerand formula of recognition,<sup>5</sup> which had already been agreed to by all the Allies.<sup>6</sup>

M. BRIAND agreed. He mentioned that in his opinion the United States still thought the attempt to deal with Russia premature.

MR. LLOYD GEORGE replied that the United States would soon come in if economic reconstruction in Russia were started.

M. BRIAND agreed. He had had a conversation on the subject with President Harding in Washington, and had gathered that President Harding had in mind much the same conditions of recognition as those in contemplation here.

Some discussion followed as to the place of meeting. Prague was indicated as most likely to suit the heads of the Russian Government, and M. Briand advocated Prague also, on the ground that M. Benes<sup>7</sup> would be a useful host.

M. LOUCHEUR suggested Geneva.

It was decided:

That enquiries should be made as to what place would suit the Russian Government.

M. Loucheur then mentioned that Savinkoff<sup>8</sup> was at Nice, and M. Briand said he proposed to see him.

<sup>5</sup> Vol. VII, No. 23, Appendix I.

<sup>6</sup> See Vol. VII, No. 23, minute 1.

<sup>7</sup> Dr. Eduard Benes, Czechoslovak Prime Minister and Minister for Foreign Affairs.

<sup>8</sup> See No. 1, n. 19.

MR. LLOYD GEORGE begged him to do so very discreetly, as any suspicion in Moscow that Savinkoff was mixed up in the Conference would have an unfortunate effect.

M. BRIAND said he would take care to make the meeting very discreet.

The discussion then passed to the date of the Conference, and late February or early March was agreed to be suitable.

M. BRIAND mentioned that in his opinion the Russians would accept the conditions.

MR. LLOYD GEORGE then asked for his views on the subject of the guarantee.

M. BRIAND said that he would like to see Lord Curzon on the Eastern question and Tangier before discussing the guarantee, and that he would then put in a paper embodying his ideas.

In reply to a question from Mr. Lloyd George as to whether he could not indicate them roughly, he (M. Briand) said that in his opinion the understanding might include an undertaking on the part of Russia not to attack Poland, the Baltic States, Finland, and Czecho-Slovakia, and a similar undertaking on the part of Germany. The general European Entente could be concluded on these lines, like the Pacific Pact,<sup>9</sup> the basis of which would be the Anglo-French Entente. It would entail no military obligations, but would give a sufficient guarantee of peace for a number of years to enable France to reduce her military charges.

MR. LLOYD GEORGE asked in what respect that would differ from the Covenant of the League of Nations? The minute Germany and Russia became members of the League, they would be bound to respect the Treaty of Versailles, and all boundaries under it.

M. BRIAND thought the latter was not sufficiently binding in form.

MR. LLOYD GEORGE agreed that the organisation was bad. It should have been much more informal like the Supreme Council. As it was, it had weak limbs spreading everywhere, and no grip anywhere. He feared that the United States would never join it while the Republicans were in power.

M. BRIAND agreed, but thought the United States might support a European Pact, similar to the Pacific Pact. He had formed an idea in Washington<sup>10</sup> that they would like this.

MR. LLOYD GEORGE thought that the question of armaments might perhaps be added to the economic and financial question on the agenda of the Economic Conference.

M. BRIAND thought that French opinion would not regard this favourably. It would administer somewhat of a shock. On the other hand, the question of armaments would inevitably be reached in the course of any economic and financial discussion. He thought, therefore, it would be better to avoid any danger of a recoil by putting armaments in the programme, and allow

<sup>9</sup> i.e. the Quadruple Treaty signed at Washington on December 13, 1921 (see *B.F.S.P.*, vol. 116, pp. 627-30).

<sup>10</sup> M. Briand had attended the early meetings of the Washington Conference in November 1921 (see Vol. XIV, Chap. VI).

them to come up naturally in regard to the Successi[on] States, Hungary, and the smaller powers.

Mr. Lloyd George readily agreeing, M. Briand went on to say that all peoples were governed by economic considerations. The minute these were faced they raised the question of armaments. There was already a very strong feeling in France in favour of reduction, and considerable reductions were now in contemplation. Some would be undertaken as from January 20th.

MR. LLOYD GEORGE said that in England they had set up a powerful Committee,<sup>11</sup> which had recommended great reductions in the army, navy, and air force. There was no doubt that the main reduction would be carried out, and they came to more than £100 millions.

M. BRIAND said that 'formidable' reductions would also be made in France.

It was then agreed:

That at the meeting next morning M. Briand, after opening the session, would call upon Mr. Lloyd George to speak;

That Mr. Lloyd George should explain his views on economic reconstruction in Europe and should then move a resolution on the lines of the 4th condition in the aide-memoire presented to M. Briand the previous evening.

M. Briand said that he would then call upon the other Delegates to state their views.

MR. LLOYD GEORGE explained that he would add a sentence or two about propaganda and the security of the Border States, and also Persia, to the resolution.

Mr. Lloyd George then asked if M. Briand would give him his ideas on the Anglo-French Entente in writing for consideration.

M. BRIAND said that he would let him have them tomorrow afternoon.

After some further discussion, in which Mr. Lloyd George pressed that Rathenau<sup>12</sup> should be brought to Cannes as soon as the Allies were agreed on the course to be taken for reparations, M. LOUCHEUR said that Rathenau was proving rather unsatisfactory. He was less accommodating than he had been at Wiesbaden.<sup>13</sup>

MR. LLOYD GEORGE said that was quite natural. The French press, and some of the British press, had been creating the impression that France and Great Britain were not in agreement. It was a very unpatriotic thing to do, but certain papers had been doing it, and the natural consequence was to stiffen the back of Germany. Rathenau would prove very amenable when

<sup>11</sup> The Committee on National Expenditure under the chairmanship of Sir Eric Geddes, Minister of Transport. The first and second interim reports of this committee (Cmd. 1581 and 1582 of 1922) had been circulated to the Cabinet.

<sup>12</sup> Dr. Rathenau, German Minister of Reconstruction in Dr. Wirth's first ministry, May to October 1921 (see Vol. XV, No. 105, n. 6).

<sup>13</sup> At the time of the conclusion of the Loucheur-Rathenau (Wiesbaden) Agreement (see Vol. XV, No. 105, n. 8; Vol. XVI, Nos. 681, 711, 713, and 728-30).

he found that Great Britain and France were speaking with one voice. No doubt also the Germans had taken note of the suggestions in the French Chamber that Germany was to be let off reparations owing to British intervention.

(At this point Sir L. Worthington-Evans entered the room.)

SIR L. WORTHINGTON-EVANS explained certain points in regard to currency, in which the subscriptions to the International Corporation for reconstructing Europe might be made. He undertook to put these suggestions into a memorandum.<sup>14</sup>

*Carlton Hotel, Cannes, January 5, 1922*

<sup>14</sup> See No. 16, Appendix 2, below.

#### No. 4

I.C.P. 22OE] *British Secretary's Notes of a Conversation between Mr. Lloyd George and Signor Bonomi held at the Villa Valetta, Cannes, on January 5, 1922, at 6 p.m.*

PRESENT: *British Empire:* The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; SECRETARY: Mr. Thomas Jones.

*Italy:* Signor I. Bonomi, Prime Minister.

INTERPRETER: Signor Buti.

SIGNOR BONOMI began by referring to the discussion which had taken place that morning on Reparations.<sup>1</sup> M. Theunis had resented the Anglo-French conversations in London and had been putting obstructive questions. He attacked the proposed basis of 500,000,000 marks as Germany's payment for

<sup>1</sup> See No. 2. The British Secretary's notes of this first meeting of experts on reparation ran:

'On January 5th the Finance Ministers held a Meeting at which the Experts were present.

'M. THEUNIS suggested that the Experts should meet next day in order that the Belgian and Italian Experts might be informed of the discussions in London which led up to the London proposals, and he suggested also that certain specific questions should be answered by the Experts.

'M. DOUMER [see n. 2] said that the explanation should be given why it was thought desirable to grant Germany a moratorium [see Vol. XVI, No. 747] at the moment when she had failed in her obligations, and why there was any reason to alter the plan laid down after so much consideration in London in May by the Schedule of Payments [see Vol. XV, No. 83, Appendix 2].

'SIR ROBERT HORNE stated in reply that the British and French Governments were satisfied that it was necessary to give Germany an opportunity to place her finances in order and to compel her to do so, and that the conditions existing in May 1921 had been radically altered by the disastrous fall in the mark [see Vol. XVI, No. 735]. He expressed considerable surprise that M. Doumer should adopt so severely critical an attitude in regard to the proposals which had been already approved by the French Government.'

1922 and contended that if the conditions were made easier for Germany it would only be the prelude for fresh demands on her part. M. Doumer<sup>2</sup> had sided with Theunis against Loucheur and wanted to know why we should depart from the schedule of May 1921.

MR. LLOYD GEORGE: 'The French are not agreed among themselves! Does Theunis propose that the Belgian army should march into Germany? Our army will not, and I do not suppose that yours will.'

SIGNOR BONOMI doubted whether agreement on Reparations would be reached that evening and therefore it would be better in his opinion to discuss reconstruction before Reparations at the meeting of the Supreme Council.

MR. LLOYD GEORGE: 'That is Briand's view too and I agree. Briand suggests that I should propose a Resolution on reconstruction tomorrow to be followed by discussion and then allow committees to meet.'

SIGNOR BONOMI agreed that on the following day each should put his point of view on the question of the proposed Economic Conference, to which he assumed Russia, Hungary, and Germany would be invited as well as the Allies.

Some discussion followed as to the place of the meeting, Prague and Geneva being mentioned.

Signor Bonomi said the Conference would be welcomed in Italy and agreed that Genoa would be a good centre.

MR. LLOYD GEORGE: 'I am anxious to have the heads of the Russian Government at the Conference, not Litvinoff or Krassin<sup>3</sup> who would have to refer back to Moscow. I should like to find out whether or not they will come and you might do the same also through the Soviet agent at Rome.<sup>4</sup> Our Secretary will show yours the telegram we shall send to Krassin. We shall ask if you and I and Briand are prepared to attend the conference to meet Germans, Austrians and the others and discuss economic resettlement of Europe, will Lenin come? If he wishes to raise the question of full recognition of Russia then we will be prepared to state the conditions of such recognition.'

SIGNOR BONOMI called attention to the first condition, set forth in A.J.312<sup>5</sup> ('it is for every nation to choose for itself the system which it prefers in regard to such matters as the ownership of land, etc.'), and said that while he agreed with the aim of the clause he thought it could be better expressed and he would prepare an alternative form of words.

MR. LLOYD GEORGE: 'I propose to add two conditions: (1) that the Russians should cease propaganda and (2) that they shall not attack their neighbours.'

<sup>2</sup> French Minister of Finance.

<sup>3</sup> M. Leonid Krassin, Soviet Russian People's Commissar for Foreign Trade, and President of the Soviet Russian Trade Delegation in England (see Vol. XII, Chap. VI, *passim*).

<sup>4</sup> M. Vatzlav Vorovski.

<sup>5</sup> Not printed. See No. 5, n. 13, below.

SIGNOR BONOMI concurred, adding: 'They must not interfere with us nor we with them. Our reservations on Reparations have taken the form of a written statement. Our point is that all the Allies must bear sacrifices.'

MR. LLOYD GEORGE: 'I agree. You cannot make the terms worse for Germany. Italy and England will save Europe from the bankruptcy which would follow the policy of France and Belgium. Briand is not extreme. Loucheur is not. Doumer is and so is Poincaré<sup>6</sup> and the French and Belgian Press are insane.'

SIGNOR BONOMI then referred to an article in the 'Temps' which is alarmed at the report that England and Italy are co-operating.

MR. LLOYD GEORGE: 'They are willing that France and England should, but monstrous for Italy and England to do so, which is childish and represents the point of view of the Foreign Office and the Senate.'

SIGNOR BONOMI: 'All this reacts on our public opinion. We were against Germany because she wanted all the world for herself. Now France wants all the world.'

MR. LLOYD GEORGE: 'Public opinion in the United States is now strongly against France. The best thing in the London proposals is the bringing down of the cost to 220 millions.<sup>7</sup> Once the cost is down there will be no inducement to keep a big Army of Occupation. That figure includes ours, the French and the Belgians. I tried to insist on that in the Treaty of Versailles, but the French up to the present have refused to carry it out. They were quartering their army, Senegalese, etc., on Germany.'

SIGNOR BONOMI: 'That is a big political mistake and will bear bitter fruit later.'

MR. LLOYD GEORGE agreed and said if the same thing were done in Great Britain we would pay the enemy back even if we had to wait 50 years to do so.

SIGNOR BONOMI: 'We have a few Germans in Tyrol but as we are treating them fairly they are not giving us trouble.'

MR. LLOYD GEORGE: 'I was frightened of trouble there.'

SIGNOR BONOMI: 'When the King visited Tyrol all the Germans came out and paid honour to him. The Member for Tyrol in the Austrian Parliament is now in the Italian Parliament.'

MR. LLOYD GEORGE: 'Sonnino<sup>8</sup> went a bit too far there.'

After some further discussion of the political situation in Italy the Conference ended.

*Cannes, January [5] 1922*

<sup>6</sup> Senator for the Meuse and former President of the French Republic.

<sup>7</sup> See Vol. XV, p. 802.

<sup>8</sup> Baron Sonnino, Italian Minister for Foreign Affairs, October 1914 to June 1919, and Italian delegate to the Peace Conference at Paris. For his demands in the Tyrol, see H. W. V. Temperley (ed.), *A History of the Peace Conference of Paris*, vol. iv (London, 1921), pp. 283-7.

I.C.P. 221] *British Secretary's Notes of an Allied Conference held at Le Cercle Nautique, Cannes on Friday, January 6, 1922, at 11 a.m.*

PRESENT: *America*: Colonel Harvey;<sup>1</sup> SECRETARY: Mr. F. D. K. Le Clercq.  
*Belgium*: M. Theunis, M. Jaspar;<sup>2</sup> SECRETARIES: M. Gutt, Viscount Davignon.

*British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P., The Rt. Hon. Sir R. Horne, G.B.E., K.C., M.P., The Most Hon. the Marquess Curzon of Kedleston, K.G., G.C.S.I., G.C.I.E., The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P.; SECRETARIES: Mr. T. Jones, Mr. T. St. Q. Hill,<sup>3</sup> Sir Edward Grigg, K.C.V.O., C.M.G.

*France*: M. Briand (*in the Chair*), M. Doumer, M. Loucheur; SECRETARIES: M. Massigli, M. Bressy, M. Laroche.<sup>4</sup>

*Italy*: Signor Bonomi, Marquis della Torretta,<sup>5</sup> Signor Raineri;<sup>6</sup> SECRETARIES: Signor Brambilla, Signor Rocco, Signor Buti.

*Japan*: Baron Hayashi,<sup>7</sup> Viscount Ishii;<sup>7</sup> SECRETARIES: M. Matsuda, M. Tokugawa, M. Kato.

INTERPRETER: M. Mathieu.

M. BRIAND, in declaring the session of the Supreme Council to be open, stated that, in his opinion, the shortest meetings were the best and the most conducive to business. He would confine himself to extending a welcome to the delegations who, he hoped, would find comfort and hospitality here. He relied especially on the beauty of the place in which they were meeting and on its excellent climate. He trusted that the sunshine would penetrate and illumine the minds of everyone so as to create a spirit of conciliation and concord, and so make the attainment of a solution of difficulties more easy.

There were two questions for consideration by the Supreme Council. These were:—

1. The question of reparations.
2. The methods by which the economic reconstruction of Europe could be carried out.

He thought that the duty of the present meeting would be to prepare resolutions as regards the second subject. As regards Reparations, which was the more difficult subject, no debate could usefully take place at the present meeting until a Commission had explored the ground. It would be better therefore not to discuss the question at the moment. But the second question was a new one, and called for a general discussion. If Mr. Lloyd George had

<sup>1</sup> United States Ambassador in London.

<sup>2</sup> Belgian Minister for Foreign Affairs.

<sup>3</sup> Assistant Secretary in the Cabinet Office.

<sup>4</sup> Not in final typescript text.

<sup>5</sup> Italian Minister for Foreign Affairs.

<sup>6</sup> Italian Minister for the *Terre Liberate*.

<sup>7</sup> Japanese Ambassadors in London and Paris respectively.



no objection, he proposed to ask him to speak, since it was he who had taken the initiative in placing this subject on the Agenda Paper.

MR. LLOYD GEORGE said: I think it is desirable, in order to retain the spirit of a conference, that we should also retain its form, and therefore, for that reason, I think it is better, if I may say so after the presidential address, that whatever we say we should meantime remain seated, and, with your permission, I will address my observations accordingly.

I consider this conference to be perhaps the most important of the series of conferences which we have held since the armistice, not merely on account of the importance of its decisions, but for the fact that we have reached a stage where I think we shall have to take decisions probably of a more far-reaching and wider character than any we have hitherto adopted. At previous conferences we confined our discussions to matters of immediate moment, very important in themselves, but limited in their scope; but there has been a very general feeling—and I confess I have shared that feeling for a very long time—that the great Allied Powers, upon whose co-operation the fate of Europe depends, ought to take wider responsibilities in view of the grave condition of the world as the result of the devastation and desolation of the great war. It has been assumed in some quarters that because we are going to envisage the economic condition of the world that Britain is doing so in order to escape from our obligations under the Treaty of Versailles. I think they will be convinced before this conference concludes that there is no obligation however detailed under that treaty which we have the least desire to shirk. On the contrary, we propose to enter into the considerations which have arisen after the operation of the treaty with the utmost detail and with the utmost care; and if we do not start to-day by dealing with these problems, that is not because we are anxious to postpone them, let alone to avoid them. But, as Mr. President of the Council, in his short statement, made it clear, there are certain details that have to be worked out by commissions of this conference before we are in a position to discuss general propositions, and to give the sanction and authority of the council to decisions. Those commissions may sit for a day or two, or possibly three days. There are very important matters of detail to be considered, but I have no doubt at all that in the spirit of conciliation, which the president has appealed to us all to exhibit, we shall arrive at a conclusion which will be satisfactory to all our countries. There are only two or three general observations which I would make upon the problem of reparations. We are here to speak frankly with each other, and if we do not do so, it is very little use having conferences at all. I have seen it suggested that whenever there is anything disagreeable we slur it over and therefore it is left there to fester. Well, I do not agree. I think on the whole we have been very frank with each other, but, if we have not, let us begin to-day, and be absolutely frank with each other. It is very much better to do so when we are here together.

I am going to make two or three observations upon the questions of reparations which I think are necessary. The first is this: It is impossible to settle these questions except by agreement amongst ourselves. The agreement

which enabled us to wage triumphant war is just as essential in order to carry out effectively the conditions of peace, and unless that agreement is preserved the whole of the fruits of the war will rot ungathered on the bloody fields of Europe. Therefore I take it that it is essential that we should have a complete agreement amongst ourselves. In order to have that agreement, the first thing I think we ought to do is to understand each other's point of view, and [to] make allowances for each other's point of view. Agreement is impossible if any one point of view is insisted upon to the exclusion of all others. There has been too much written and said as if we were bound to consider only the point of view—I will not say of one person, but of one country: we must take into consideration the feelings, the sentiments, the opinions, the interests and, undoubtedly, the sufferings and sacrifices of all countries. Now that is the first condition of agreement.

The second is this: We must recognise that the sacrifices of the war were not sacrifices of any one country. We must recognise frankly that all the Allied countries sacrificed to the utmost of their power and their opportunity. Some undoubtedly were put in a position where their sacrifices were worse, but everybody did his best and everybody sacrificed as far as the chance was given to make a sacrifice; and the sacrifices of all are terrible beyond account. They are not represented even in the terrible statistics of the slain and the mutilated and destroyed houses. The sufferings are something which you cannot have statistics on—and those are the worse sufferings—and you constantly meet them in private life. Let us recognise that. We have all suffered together. Some more, some less, but we all did our best and contributed of our best. That is the second thing I want to be taken into account.

I should also like to say one word for my own country, not in order to show that it has suffered more; that is not the point. It is because it is assumed that it has not suffered at all. The measure of the suffering of our country is found in the tremendous pension list of £110,000,000 sterling per annum which we are paying. But when we come to reparations I must deal with it from another point of view. It is assumed that because we are able to balance our budget, our financial burdens are not comparable to those of any other country. I only want to make this observation about that, that if we balance our budget it is not because our burdens are not heavy, but because they are heavy. Our taxes are heavier than those imposed by any other country in the whole world.

The third thing I want to say is this: when there is a proposition to enforce sanctions against Germany, or to impose harsh conditions upon Germany, it is always a very invidious task for any statesman in any Allied country which has suffered much at the hands of Germany to get up and put in a word for moderation—for restraint. They will say, 'Ah! you are thinking of Germany, you are putting the burdens of Germany before those of your own land, in fact, you are pro-German. You are sacrificing Great Britain to Germany, France to Germany, Belgium to Germany, Italy to Germany.' It is very easy to say that. It is cheap. It is the sort of thing that wins cheap applause, and it is very difficult to answer without putting yourself in the

position of appearing to be an apologist for your late enemy, whilst our countries are sore and still bleeding from the injuries received from the hands of those enemies. Nevertheless, we ought to have the courage to look the fact in the face. Germany must pay to the utmost of her capacity. Justice demands it. She has inflicted these injuries upon our respective countries. It is right by the elementary principles of jurisprudence in every civilised country, that she should pay damage and compensation for the injury she has inflicted. But you have to consider what every lawyer has to consider when he is recovering damages—to what extent judgment and execution can be made effective. You may drive things so far that you get nothing out of your verdict. You simply exercise the common prudence which every lawyer—and I think a good many of us here are lawyers—has always had to display when he comes to the very interesting point of recovering his bill of costs. When Great Britain has, through her representatives, put in a plea for not rushing Germany into anarchy and bankruptcy, we are not doing that in the interest of Germany. What special interest has Great Britain in Germany? Germany is our most formidable industrial competitor; has been, is, and will continue to be for many reasons. If Germany is wiped out commercially, industrially, reduced to chaos and bankruptcy, at any rate we have this interest, namely, that a commercial rival is put out of the way. Therefore, if we advocate restraint and prudence in dealing with our competitors, it is purely because it is in the interests of the world that you should not force Germany into exactly the same condition as Russia was forced, with this difference, that you will have anarchy amongst a much more efficient people. You will have extreme doctrines under the leadership of a very powerful race, and the countries which would suffer most from that are the countries that are nearest to that condition of things. That is the reason why, in spite of misrepresentation—misrepresentation abroad, which is always unpleasant; misrepresentation at home, which counts far more for Governments, and is very often disastrous, therefore much more difficult to face—we have advocated, not compassion, not pity, not even consideration, but ordinary common prudence in our dealings with our biggest competitors.<sup>8</sup> Now, those are the general considerations that I want to urge upon the question of reparation, and then I quit that part of it in order to come to the general propositions.

That leads me to the resolution which I have the honour to submit to this council. It is clear that even reparation will not be recoverable unless there is an improvement in the general condition of Europe. The capacity of Germany to pay is represented in the main by her foreign trade. We have all experienced a good deal of difficulty in bringing it home to our own nationals; but the mere fact that Germany has got great internal wealth in the way of land, forests, railways and factories, is not conclusive evidence of her capacity for paying large sums outside her own frontier. Her capacity to pay permanent charges outside must depend upon the extent of her foreign trade, so that from the point of view of reparation the general condition of

<sup>8</sup> In the original, this sentence consists of two sentences, the first of which is incomplete.

Europe has a direct bearing. Trade with Germany was very largely with the countries of her eastern frontier and her southern frontier. These are just the countries that have completely collapsed, industrially and commercially. They have almost been wiped off the commercial map of Europe. That reacts. We may not have very large direct dealings with the eastern countries; we may not have very large direct dealings with either Russia, Hungary, Austria or Poland, or any or all of these countries, but they contributed to the general wealth of the world which circulated through the veins of commerce, and the fact that they have ceased to make that contribution weakens and attenuates the industrial blood of the commercial countries of the world. It is, therefore, a very serious problem. In our country we are suffering as the result of the war from the worst unemployment ever seen in Great Britain. The maintenance of our unemployed is as great a burden as the maintenance of our mutilated soldiers, and the widows of those who fell in the war. It doubles the burden in that respect. I see that Belgium is also suffering very severely. There are about 120,000 receiving relief in Belgium at the present moment. That is a very considerable number. I have not got the figures in regard to France, but I can well understand that in proportion they will be less, because France has got a great peasant proprietary, and there is no doubt at all the fact that she has to restore her devastated areas provides employment; it increases her burdens, but it also incidentally increases opportunities for work.

I have not got the figures for Italy, but I understand that there is some unemployment in Italy as well. It is vital for the general well-being of the world that an effort should be made to restore these countries that made such a substantial contribution to the productive wealth of the world. Unless the Allied countries undertake the task, I do not know who will do it. I was sincerely hopeful that the great republic of the West might have joined hands with us here. I will not presume to express any opinion upon the attitude of that great country. It has its own reasons: but Europe certainly cannot afford to ignore these conditions; and inasmuch as the responsibility for Europe must be with the victors, we ought to assume that responsibility, and if we do not take it boldly and courageously, we need not wait for history to condemn us. We should be condemned by the voice of our own countrymen, and that very soon. They are expecting us to take this task in hand. We are the only people who can do it, and we ought to do it. Here you cannot undertake a big task without encountering big prejudices, and this is no exception. The moment you begin to talk about the restoration of Russia and Hungary and the rest, you at once come up against the very natural prejudice which exists in every civilised breast against Bolshevism; its methods; its doctrines and its perils.

I think we should insist on guarantees against such propaganda; but there is much greater danger from Bolshevism, if we fail in our task of reconstruction, than there is from any propaganda or pamphleteering which the Bolsheviks may undertake. I have seen it attempted so often. I have seen the efforts made in Great Britain to spread these doctrines—not with great

success—and I have seen the attacks made upon our Empire in the East by the Bolsheviks, perhaps with a greater measure of success. But, after all, you have got to deal with Governments whose methods you do not always approve of. I have heard of agreements made even with the murderers of Armenians. In Paris, I remember the representatives of Turkey admitting that millions of Armenian Christians were slaughtered, ravaged, outraged and tortured, and yet I know of Governments that have not hesitated to make agreements<sup>9</sup> with the people who took a leading part in the directions of those outrages and those murders. I am not complaining. If we insist, before we shake hands with Governments in north, east, south and west, upon seeing that their hands are clean, I do not know how much business will be done in the world. I have seen representatives of Governments of that kind at Paris and in London, and we all met them and discussed things with them. Why? Because we said: 'You must make peace in the world—you really must.' You cannot go behind these things. You can say: 'Every Government that is guilty of anything which is an outrage upon civilisation, then [*sic*] we strike it off the list.' We do not receive their visiting cards. If they come anywhere near us, we order the footman to show them the door. If they come and sell goods, even down our area steps, the servants will turn them out. They first of all must show their hands to see if there is any innocent blood on them, and if there is, then there is no business done—neither buying nor selling—and certainly you do not receive them into your drawing-rooms. That is one attitude which we can all take up—that sort of exalted attitude. There is something to be said for it, but there is nothing to be said for greeting one assassin with the right hand, and, when the other assassin offers his hand, putting your left one behind your back—nothing. In that case you get neither of the two advantages. You do not get the advantage of superior feeling that comes from saying that you have never shaken hands with infamy in your life, and putting your head up and walking the streets looking into the blue sky. You do not get that if you shake hands with infamy in the east and refuse to do it with infamy in the north.

Then you do not get the other advantage—the material advantage—you get neither the one nor the other—neither the material nor the moral advantage. I said that we have come here to speak quite freely and frankly. Therefore, there is only one line to take. Do you want peace in the world? If you do, you must have peace in Asia Minor, but you must also have peace in Russia. If you are going to restore the world, there is only one way in which to do it, and that is to have peace. I therefore hope that we shall follow the line which was indicated by the President of the French Republic<sup>10</sup> in his statement—I think at Lympne<sup>11</sup>—which I quoted in London,<sup>12</sup> namely, that we should trade with east and west, and that we

<sup>9</sup> The reference is to the Angora Agreement of October 20, 1921, between France and the Turkish Nationalists (see Vol. XVII, No. 423, n. 2).

<sup>10</sup> M. Alexandre Millerand, who, at the time, was President of the Council.

<sup>11</sup> See Vol. VIII, No. 29.

<sup>12</sup> See Vol. XV, p. 778.

should negotiate the conditions under which trade alone is possible. I am therefore proposing that there should be a conference summoned of all the Powers of Europe to consider the economic reconstruction of Europe, east and west. If Russia attends, we should make it quite clear to Russia that we can only trade with her if she recognises the honourable obligations which every civilised country imposes upon itself, namely, that she should pay all her debts, whether incurred by the present Government or by its predecessors, because no civilised country draws any distinction between them: that she will compensate all our nationals for loss or damage caused to them when property has been confiscated or withheld; that she will establish a legal system which sanctions or enforces trade and other contracts with impartiality; that she will refrain from undertaking propaganda to subvert our institutions and our social system; and that she should join in an undertaking to refrain from attacks upon her neighbours. You must also make it quite clear that the last obligation must be undertaken by our own friends. If we insist that Russia shall not attack her neighbours, we must also insist that her neighbours shall not attack her, and that, if the conditions under which trade alone is possible involve recognition of the Russian Government, [then] that should also be done, provided it is made quite clear that the Russian Government will undertake all the other obligations which I have indicated.

I now propose the resolution, copies of which I have already circulated to my colleagues. (See Appendix I.)<sup>13</sup>

Mr. Lloyd George concluded by calling attention to the following statement made by M. Millerand at Lympe on the 20th June, 1920:—<sup>14</sup>

‘ . . . the French Government was ready to take up relations with the Soviet Government on the day that the latter proclaimed solemnly that they accepted responsibility and solidarity for engagements of every description taken by their predecessors with foreign Governments. That, in his view, was the *sine qua non* of French recognition of the Soviet Government. . . .

‘ . . . The reason he insisted on this question was that the answer involved the paramount condition for any Government to be recognised, that is to say, that it should undertake the responsibilities of its predecessors towards foreign Governments. That was why he put this question. If the Soviets refused, did that prevent the Allies from having commercial relations with Krassin? Not at all. He had seen a list of questions that had been drawn up and which had been shown to Krassin.<sup>14</sup> He considered the questionnaire very well drawn up, though he had had no part in it. He would continue to address these questions to Krassin, and if he replied satisfactorily, then commercial relations could be taken up without any change in the position, and without any *de facto* recognition being given to the Soviet Government, and without their receiving the authority and prestige of such *de facto* recognition. After the list had been given to

<sup>13</sup> Not printed. For the resolution as amended, see No. 6, Appendix, below.

<sup>14</sup> See Vol. VIII, Nos. 24 and 25.

Krassin, he would await his answer and go no further. If Krassin insists that he cannot trade unless the Soviet Government is recognised, then he would repeat his former question, namely, as to whether the Soviet Government accepted the responsibilities of their predecessors towards foreign Governments. If Krassin accepted, then he would recognise them. If he did not, then it would be impossible to trade with the Soviets.'

SIGNOR BONOMI then made the following statement:—

The Italian delegation adheres with pleasure to the proposal to call immediately an economic conference to which all European Powers, Russia included, would be invited.

The Italian Government not only adheres to the proposal, but it is glad to know that the proposal in question has evolved from the conversations which the Italian delegation have had during these last few days with the delegates of the Allied Powers. The proposal, moreover, harmonises with public opinion in Italy, and expresses the views of the Italian Government.

The war, and the events of such widespread effect which have followed on the war, have greatly disturbed the economic life of Europe.

Preceding wars never left behind them consequences so painful as has the recent long and extensive war. We are now left with very vast regions completely destroyed which must be entirely reconstructed; we are required to readjust the public finances of every country, both old and new; we are faced with a monetary confusion, the like of which has never been recorded in history.

But what strikes one most in this hour of deep crisis is the duration of a state of affairs, both in circles of production and in commerce, as a consequence of which thickly populated countries are experiencing the scourge of unemployment.

Whilst every vast war has always in the past been followed by a lively resumption of production and interchange of goods, as if it were intended to reconstruct rapidly that which had rapidly been destroyed, now, on the contrary, we are witnessing a painful dulness in the rhythm of our economic life. The reason for this is undoubtedly to be found in the conditions of a large part of Central Europe and in the whole of Eastern Europe. These countries, which were closely linked with the economic life of Europe, and which constituted centres of production, especially of agricultural produce, and also important markets for exports from Western countries, which constitute precious sources of raw materials, are now separated from the rest of Europe, and in consequence live a secluded economic life which tends to upset the economic life of the rest of the world.

It is necessary that these countries should re-enter the productive centre of Europe. It is necessary, both in their interests and in our own interests, that they should resume their functions and be linked up with the life of other countries.

It is not a question here of making one form or another of production

and exchange, or one economic system prevail over all others. It is a question of bringing together economic systems which, in consequence of unbreakable economic laws, are essential and indispensable to one another. We therefore feel that it will be necessary to take steps to bring about this resumption of economic solidarity, which is stronger than our own bias or our own particular opinions by the means of a conference of all European Powers, including Russia.

These Powers were divided by the war, but production and work must reunite them.

Let each country by all means hold fast to the particular position which is her right as the outcome of the war; but every country must feel that its revival is linked up with the revival of neighbouring States, and that without a sincere and deep solidarity the economic life of the world cannot resume its course.

In regard to Russia, I desire in this place to reassert the statement made in Parliament by my colleague, the Minister for Foreign Affairs, to the effect that we are in no way prejudiced as to the eventual recognition of Russia as at present constituted. The internal organization of a nation concerns that nation alone, and we cannot and must not prescribe a social system different from that which the country has chosen for herself. But just as we do not wish to interfere with the internal organisation of Russia, so must she refrain from propaganda and all other action intended to upset the internal order of other States. On this point there must exist perfect reciprocity. For this reason we gladly adhere to the conditions which the present conference deems indispensable to the recognition of Soviet Russia.

There cannot be economic interchanges, there cannot be any inflow of wealth or other productive activity towards a country if the latter does not offer safe and precise guarantees.

It is essential, therefore, as a necessary condition, that the communistic system of Russia should offer to the capitalistic system of the West conditions and guarantees such as to permit of their co-existence.

I believe that it will be possible with the goodwill of both parties to establish these conditions.

The Italian delegation, therefore, votes in favour of the resolution which has been proposed, and trusts that all the Powers of Europe will adhere, and be present at the next economic conference, so that it may be shown to the world that our ancient and historic continent is able, after a long and painful war, to find the way to economic solidarity in the supreme interests of civilisation and work.

M. THEUNIS stated that the Belgian delegation could only view in a favourable light any measures tending towards the economic reconstruction of Europe. The Belgian delegation agreed with the resolution which had been put before the conference by Mr. Lloyd George, and hoped that that resolution would be accorded most careful consideration.



Belgium appreciated all the more the objects of the resolution because of her economic and geographic situation, which made her far more interested than many countries in the whole question of economic reconstruction. Belgian territory was small in extent, but she had a dense population—four times as dense as that of France—and Belgium could support herself less easily from her own resources than other countries. This fact obliged her to import foodstuffs and find her necessary resources in foreign trade. Before the war more than 80 per cent of her trade had been carried on with neighbouring European countries. She was therefore suffering in the present crisis particularly. Her financial situation was serious and would not be improved until the European exchanges became normal.

Belgium desired the general conditions of Europe to be improved. It must be realised, however, that such improvement could only be affected gradually and not all at once. Belgium had the greatest interest in all measures which have been or will be taken by her neighbours for the reconstruction of Europe.

BARON ISHII stated that the Japanese delegation had been interested to learn of the proposals submitted by Mr. Lloyd George which they had telegraphed to their Government. No reply had yet been received and therefore they were not in a position to pass judgment on those proposals. They required further enlightenment, however, in regard to details. The intention of the resolution appeared to be confined to European countries, and he would like to know whether this was so. There was only one point on which he desired to make observations, and that was the recognition of the Soviet Government. On this point there would be an opportunity either this afternoon or tomorrow of making observations in detail.

M. BRIAND said that when the question of reparations came up for consideration he would explain the general conclusions of the French delegation in regard to the draft resolution which had been submitted by Mr. Lloyd George. For the moment he would confine his remarks to the international conference which had been suggested by Mr. Lloyd George. From the beginning he had adhered to the idea of such a conference. Particularly whenever he had recently been obliged to discuss in the French Chamber the economic situation of Europe and the general distrust prevailing, he had always said that the only way was for the nations of Europe to make a real effort.

He desired to add that the French delegates would adhere to the idea of an economic international conference to reconstruct Europe with the reservation that they should examine the details more at leisure.

As regards the question whether Russia should be called or not, he was disposed to agree that too close an inspection of hands should not take place, as it might be found that those hands were stained with blood. It would appear that Mr. Lloyd George's remarks had been aimed at him when he (Mr. Lloyd George) had referred to a refusal of the French Government to take the hand of the Northern assassins, and when he pointed out that [while] they refused to take the hands of the northern assassins they

had grasped the hands of the assassins in the east. He wished to point out that he had had the honour of meeting the latter in London.<sup>15</sup> As regards the Russian question, a great responsibility rested on the present conference in such a vast undertaking which required the most careful consideration. He thought that it would be dangerous to arrive at a conclusion here and now, and that the proposals put before the conference should be examined very carefully. All prejudices in regard to Russia would be got rid of if the Russian Government were willing to give the guarantees which it was agreed should be asked from them. He thought that the mentality of the leaders of the Russian revolution had altered with the lapse of time, but there were certain revolutionary principles which still remained strong in Russia. There could be no lasting reconciliation with Russia if any opportunity were given for the occurrence of similar disasters in Russia in the future. In his opinion, the conditions outlined by Mr. Lloyd George were very satisfactory, and were such as would lead to reconciliation with Russia. It was possible that other conditions could be added to the list, and he suggested that the present conference should consider all the details carefully. In this business it would be a mistake to allow oneself to be guided by sentimental considerations. One must not sacrifice to a sentimental prejudice the grave interests of the present time. When Mr. Lloyd George was developing this argument it seemed to him (M. Briand) as if a large stone had been thrown into his garden, but it had not hurt any of the flower beds. He wished to point out that the hands which the Angora Agreement summoned him to grasp, he had first had the opportunity of meeting in London. What was necessary now was to seek and to realise positive and practical solutions. In taking the initiative in so vast an enterprise as that of trying to reconstitute Europe, the Allies were assuming a grave responsibility, for it would cause to spring up, in the hearts of the various peoples, hopes, the non-realisation of which would be dangerous. The Allies must succeed and to this end must take every desirable measure and precaution. Contact with Russia must be safeguarded by the guarantees which one of his predecessors had demanded.<sup>16</sup> Otherwise there was a serious danger of the Allies playing the rôle of dupes. He agreed generally that measures proposed by Mr. Lloyd George were satisfactory. It was possible that other conditions could be added to the list, and he suggested that the present conference should consider all the details carefully that afternoon. Subject to these observations the French Delegation adhered to the proposal made by the British Delegation. M. Briand then suggested the appointment of two commissions, one to consider the question of reparations and the other to consider the question of the economic reconstruction of Europe. He proposed that the draft resolution put forward by Mr. Lloyd George should be referred to the latter commission to examine details and report.

MR. LLOYD GEORGE stated that he agreed with M. Briand's proposals. He understood that there would be two commissions, one to discuss repara-

<sup>15</sup> At the Third Conference of London (see Vol. XV, Chap. II).

<sup>16</sup> See No. 3, n. 5.

tions, which would consist of the Finance Ministers of the countries interested, the other commission to consist of the Prime Ministers and Foreign Secretaries only of the various nations. He thought, however, that some Prime Ministers might wish to attend the meetings of both commissions. He did not wish to do so personally, but he thought M. Theunis might.

M. BRIAND replied that each delegation must do what it thought best.

SIR ROBERT HORNE explained, as regards the meeting on reparations, that the experts of the various countries had been meeting all day in order to prepare a draft statement for discussion. He doubted whether the experts would be ready with their statement to-day.

MR. LLOYD GEORGE stated that he had a great desire to deal with the subject of reparations at an early date, and he hoped that the meeting on reparations would not be delayed.

The conference agreed—

1. To accept in principle the resolution in regard to the economic reconstruction of Europe put forward by Mr. Lloyd George (Appendix I)<sup>13</sup> and to refer the consideration of it in detail to a commission composed of the Prime Ministers and Foreign Secretaries of the Governments concerned, the first meeting of the commission to be held the same afternoon at 3.30 p.m., at the Cercle Nautique.
2. To appoint a commission consisting of the Finance Ministers of the various Governments to consider the question of reparations and the report which was in course of preparation by the financial experts.

*Notice to the Press.*

2. The conference agreed—

That the text of the resolution on the economic reconstruction of Europe should not be communicated to the press as yet and that a communiqué of a general character, the nature of which was to be settled by the secretaries, should be given to the press. This communiqué is reproduced as Appendix II to these minutes.<sup>17</sup>

*(The conference then adjourned.)*

*Carlton Hotel, Cannes, January 6, 1922*

<sup>17</sup> Not printed.

## No. 6

I.C.P. 222] *British Secretary's Notes of an Allied Conference held at the Cercle Nautique, Cannes, on Friday, January 6, 1922, at 3.30 p.m.*

PRESENT: *America*: Colonel Harvey; SECRETARY: Mr. F. D. K. Le Clercq.  
*Belgium*: M. Theunis, M. Jaspar; SECRETARIES: M. Gutt, Viscount Davignon.  
*British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P., The Most Hon. the Marquess Curzon of Kedleston, K.G., G.C.S.I., G.C.I.E.; (after adjournment) The Rt. Hon. Sir R. Horne,

G.B.E., K.C., M.P., The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P.; [Sir E. Grigg], [Mr. R. G. Vansittart]; SECRETARIES: Mr. T. Jones, Mr. T. St. Q. Hill, Major Caccia.<sup>1</sup>  
*France*: M. Briand (*in the Chair*), M. Doumer, M. Loucheur; SECRETARIES: M. Massigli, M. Laroche.  
*Italy*: Signor Bonomi, Marquis della Torretta; SECRETARIES: Signor Brambilla, Signor Buti.  
*Japan*: Baron Hayashi, Viscount Ishii; SECRETARIES: M. Matsuda, M. Tokugawa, M. Kato.  
 INTERPRETER: M. Mathieu.

1. M. BRIAND having declared the meeting opened suggested that Mr. Lloyd George's resolution (A.J. 313)<sup>2</sup> should be read and discussed paragraph by paragraph, such amendments as the various delegations might wish to propose being considered in turn.

#### *Paragraph 1*

MR. LLOYD GEORGE suggested that 'Austria, Hungary, and Bulgaria' should be added after 'Germany' and 'Russia' in the first sentence.

(This was agreed to.)

M. BRIAND proposed that the first sentence should be made to read: 'The Allied Powers in conference are unanimously of opinion that an economic and financial conference should be summoned,' &c. In his opinion, financial questions would particularly occupy the attention of the conference and should be specially mentioned.

(This proposal was accepted, and the first paragraph as amended was agreed to.)

#### *Paragraph 2*

(This was agreed to with slight amendments.)

#### *Paragraph 3*

M. BRIAND suggested that the second<sup>3</sup> sentence of paragraph [2] should be amended to read as follows:

'United effort by the stronger Powers is necessary to remedy the paralysis of the European system.'<sup>4</sup>

(This was agreed to.)

MR. LLOYD GEORGE thought that a final sentence should be added at the end of paragraph [2], having reference to the co-operation of the Powers towards the restoration of commerce. Such a sentence would, in his opinion, be useful and please certain classes.

<sup>1</sup> Major Anthony Caccia, Director of Indian forest studies in England, a former Secretary of the Supreme War Council at Versailles, and a member of the British delegation to the Paris Peace Conference.

<sup>2</sup> Not printed.

<sup>3</sup> These references here substituted are to the text as finally revised (see Appendix).

<sup>4</sup> The original resolution here ran: 'A united effort by the stronger Powers is necessary to restore the suspended animation of the European system.'

After some further discussion it was agreed to amend paragraph [2] to read as follows:

'A united effort by the stronger Powers is necessary to remedy the paralysis of the European system. This effort must include the removal of all obstacles in the way of trade, the provision of substantial credits for the weaker countries and the co-operation of all nations in the restoration of normal prosperity.'

*Paragraph [3]*

On the suggestion of COLONEL HARVEY paragraph [3] was amended to read as follows:

'The Allied Powers consider that the fundamental conditions upon which alone this effort can be made with hope of success may be broadly stated as follows:'<sup>5</sup>

SIGNOR BONOMI said that he desired to make certain observations in regard to this paragraph. The first sentence read as follows:

'Nations can claim no right to dictate to each other regarding the principles on which they are to regulate their internal economy and government.'

This statement was followed by a development of the idea therein expressed in the following terms:

'It is for every nation to choose for itself the system which it prefers in regard to such matters as the ownership of land, the development of great public utilities, like mines and railways, and the national or private control of its principal industries and resources.'

In this description it might perhaps be possible to interpret a socialism of a moderate character. The doubt might thence arise that an attempt was being made to restrict the ideas set forth in the first sentence of this paragraph. This could not, however, be the intention. Consequently, he saw the necessity either altogether to omit this explanation or to express it in very wide and general terms.

M. BRIAND expressed the view that this paragraph as it was drawn, contradicted the following paragraphs. What the Powers wanted was to reassure the world of commerce; at the same time they did not wish to interfere with the internal organisation of Russia. It was clear, however, that if the Russian Government reclaimed [*sic*] the abolition of private property, foreigners who wished to carry on business in Russia would be in a difficult situation. The later paragraphs indicated the necessity for a juridical organisation, that is to say a system of tribunals; but tribunals were limited to the execution of the law. If the law denied the existence of private property, how would foreigners be able to create titles to property? In these circumstances it was not quite correct to say that the Allies were abstaining from all intervention,

<sup>5</sup> The original resolution here ran: 'The Allied Powers considered that the fundamental conditions upon which alone this effort can be made . . . '.

since they were led to enunciate certain conditions the realisation of which was necessary for the resumption of commercial relations.

MR. LLOYD GEORGE was inclined to agree with the remarks made by M. Bonomi, in that if an attempt were made to particularise, the Russian Government would become suspicious in regard to such matters as might have been omitted. He therefore favoured shortening the paragraph in question. He would simply say: 'It is for every nation to choose for itself the system which it prefers in regard to national and private ownership and control of its own industries and resources.' He quite agreed that the following paragraph (2) was inconsistent with the statements contained in paragraph (1). But this was intentional. Paragraphs 1 and 2 should be considered together. On the one hand, it was stated that the Allied Powers did not wish to interfere in any way with the sovereignty of any nation, but, on the other hand, if a nation desired to receive foreign capital it must respect the rights of property. In other words, the document stated that a country could set up any system of Government it preferred, but if it required foreign capital it must bow to the conditions as to the rights of property made by the foreign Governments. Therefore the two paragraphs were inconsistent, but they were intended to be so to that extent.

M. JASPAR proposed that the second sentence of this paragraph should be made to read: 'It is for every nation to choose for itself the system which it prefers in this respect,' and everything following should be omitted. In his opinion the word 'economy' in the first sentence covered everything that was required, and the less said the better.

After further discussion paragraph [3 (1)] was amended to read as follows:

'Nations can claim no right to dictate to each other regarding a principle on which they are to regulate a system of ownership, internal economy, and government. It is for every nation to choose for itself the system which it prefers in this respect.'

#### *Paragraph [3 (2) and (3)]*

Paragraphs (2) and (3) were agreed to with slight amendments. (See appendix.)

#### *Paragraph [3 (3)(a)]*

M. JASPAR drew attention to the fact that in this sub-paragraph mention had only been made of State debts and obligations. As a matter of fact other debts had been incurred by municipalities, public bodies, railways and other administrative bodies. He thought that some reference to this should be made.

After some further discussion paragraph [3(3)(a)] was agreed to, amended as follows:

'That they will recognise all public debts and obligations which have been or may be undertaken or guaranteed by the State or by municipal or other public bodies. . . .'

*Paragraphs [(3) (3)(b), and (4)]*

These paragraphs were agreed to as amended. (See appendix.)

*Paragraph [3 (5)]*

M. BRIAND expressed the view that paragraph [3 (5)] had been drafted in far too general terms. As it stood, the conditions therein set forth might put an end to all such normal and justifiable propaganda as France might wish to carry out in Russia. He thought perhaps his views might be met by altering the commencement of the paragraph to read: 'The nations who wished to take advantage of the above proposals should undertake,' &c.

MR. LLOYD GEORGE pointed out that these conditions did, as a matter of fact, only relate to those Powers who would benefit by the proposals contained in the memorandum.

M. BRIAND, continuing, said that he objected merely to the form in which the condition was drawn up. He would point out that propaganda was not usually carried out by Governments, but by individuals who travelled in various countries and who could not correctly be described as representatives of the Government.

M. BONOMI suggested that the term 'official propaganda' might be employed, and the word 'nations' could be altered to 'States,' since 'nation' included all the people of a State.

MR. LLOYD GEORGE said that in drafting these proposals he had been anxious to put a stop to the propaganda carried out by the Third International of which Trotsky and Lenin were members. The propaganda of this organisation was not carried out by the State, but by the agents of the State.

(It was agreed to accept paragraph [3 (5)] without amendment.)

*Paragraph [3 (6)]*

VISCOUNT ISHII could not agree to the proposals contained in paragraph [3 (6)]. The Japanese Government feared that the conditions therein set forth, if accepted might entitle the Soviet Government to object to the presence of Japanese soldiers in Siberia.

MR. LLOYD GEORGE deemed it essential that the Soviet Government should give a definite guarantee not to attack neighbouring countries, such as Poland, Czechoslovakia or Finland; and, similarly, Poland should undertake not to attack Russia, otherwise peace would never be attained in Europe.

M. DOUMER thought that the Japanese objection could be met by making this paragraph applicable only to 'countries who participate in the economic restoration of Europe'.

MR. LLOYD GEORGE pointed out that the whole document, as clearly stated in paragraph 1, referred only to such countries as would participate in the economic restoration of Europe.

M. JASPAR agreed. He thought that if the paragraph in question were restricted to the European countries, it would imply that the rest of the world could be at war.

(After some further discussion it was agreed to retain paragraph [3 (6)] without amendment.)

*Final Paragraph*

M. BRIAND suggested that the last paragraph was useless, since the whole document implied the eventual recognition of the Soviets.

MR. LLOYD GEORGE said that it was important all the same that the Soviets should know clearly, before coming to the Conference, what the situation was. Their Delegates must have full powers and they must not be able to say any more that there had been a misunderstanding. The discussions on Russia had lasted several months already, and now the famine had come. There must be an end to it.

M. BRIAND admitted the strength of this argument, but asked for a textual alteration. Instead of talking of 'full recognition', the phrase 'official recognition' should be used, and instead of saying that 'the Allied Powers would be prepared to accord such recognition on the basis of the acceptance by the Russian Government of the foregoing conditions', a declaration should be made that the Powers would not be able to accord this recognition unless the Russian Government accepted these conditions without reserve.

This paragraph was agreed to with the amendments as shown in the appendix.

VISCOUNT ISHII wished to place on record the fact that he had been unable to communicate with his Government in regard to the matters discussed that afternoon. He therefore accepted the resolution subject to the approval of his Government.

(For full text of resolution, as amended, see appendix.)

(*The conference adjourned for a short interval.*)

The conference resumed at 5.45 p.m., the following being present in addition:

Sir Robert Horne.

Sir L. Worthington-Evans.

2. The conference had before them the resolution as revised in accordance with the previous discussion.

The conference approved the resolution as revised. This resolution is attached to these minutes as an appendix.

3. M. BRIAND said it was now necessary to consider the place and date of the proposed economic conference. He was disposed to think that February was too early a date, and that it would be desirable to summon the conference early in March.

MR. LLOYD GEORGE stated that he thought that the economic conference should assemble early in March.

There was considerable discussion as to the place at which the economic conference should be held, and the conference agreed:

- (1) That the economic conference should assemble on the 1st March.
- (2) That the place of the meeting should be Genoa.



4. M. BRIAND asked whether the discussions should be published *in extenso*.

MR. LLOYD GEORGE replied that he thought that the public should know the full details. If the resolutions only were published they would not make a sufficient impression without the reasons advanced in favour of them.

M. BRIAND said that he was against the publication of an *in extenso* report, and suggested that the secretaries should be instructed to communicate to the press the substance of what had been said.

MR. LLOYD GEORGE said that he would be glad to see M. Bonomi's speech published in full. It was a very able argument in support of the economic proposals.

M. BRIAND agreed.

M. BONOMI expressed his gratification.

The conference agreed that the speeches of Mr. Lloyd George and Signor Bonomi should be communicated to the press *in extenso*.

5. The conference agreed:

That a copy of the resolutions should be sent to Colonel Harvey and that an invitation to be represented at the forthcoming economic conference should be addressed to the United States of America.

6. The conference agreed:

That the commission of representatives consisting of Finance Ministers which had been appointed that forenoon should meet the next day at the Cercle nautique at 11 a.m. to consider the report by the experts.<sup>6</sup>

*Hôtel Carlton, Cannes, January 6, 1922*

#### APPENDIX TO No. 6

##### *Resolution moved by Mr. Lloyd George and passed by the Allied Powers in Conference, January 6, 1922*

The Allied Powers in conference are unanimously of opinion that an economic and financial conference should be summoned in February or early March to which all the Powers of Europe, including Germany, Russia, Austria, Hungary and Bulgaria should be invited to send representatives. They regard such a conference as an urgent and essential step towards the economic reconstruction of Central and Eastern Europe, and they are strongly of opinion that the Prime Ministers of every nation should, if possible, attend it in person in order that action may be taken as promptly as possible upon its recommendations.

The Allied Powers consider that the resumption of international trade throughout Europe and the development of the resources of all countries are necessary to increase the volume of productive employment and to relieve the widespread suffering of the European peoples. A united effort by the stronger Powers is necessary to remedy the paralysis of the European system. This effort must include the removal of all obstacles in the way of trade, the provision of substantial credits for the weaker countries and the co-operation of all nations in the restoration of normal prosperity.

<sup>6</sup> See No. 7, below.

The Allied Powers consider that the fundamental conditions upon which alone this effort can be made with hope of success may be broadly stated as follows:

1. Nations can claim no right to dictate to each other regarding the principles on which they are to regulate their system of ownership, internal economy and government. It is for every nation to choose for itself the system which it prefers in this respect.
2. Before, however, foreign capital can be made available to assist a country, foreign investors must be assured that their property and the rights will be respected and the fruits of their enterprise secured to them.
3. The sense of security cannot be re-established unless the Governments of countries desiring foreign credit freely undertake—
  - (a) That they will recognise all public debts and obligations which have been or may be undertaken or guaranteed by the State, by municipalities or by other public bodies, as well as the obligation to restore or compensate all foreign interests for loss or damage caused to them when property has been confiscated or withheld.
  - (b) That they will establish a legal and juridical system which sanctions and enforces commercial and other contracts with impartiality.
4. An adequate means of exchange must be available, and, generally, there must be financial and currency conditions which offer sufficient security for trade.
5. All nations should undertake to refrain from propaganda subversive of order and the established political system in other countries than their own.
6. All countries should join in an undertaking to refrain from aggression against their neighbours.

If, in order to secure the conditions necessary for the development of the trade in Russia, the Russian Government demands official recognition, the Allied Powers will be prepared to accord such recognition only if the Russian Government accepts the foregoing stipulations.

## No. 7

I.C.P. 223] *British Secretary's Notes of a Meeting of the Allied Commission on Reparations held at the Cercle Nautique, Cannes, on Saturday, January 7, 1922, at 11 a.m.*

**PRESENT:** *Belgium:* M. Theunis, Prime Minister (*in the Chair*); **REPARATION COMMISSION:** M. Delacroix, M. Bemelmans, M. Furst; **SECRETARY:** M. Gutt.

*British Empire:* The Rt. Hon. Sir R. Horne, G.B.E., K.C., M.P., Chancellor of the Exchequer; The Rt. Hon. Sir L. Worthington-Evans, Bt., M.P., Secretary of State for War; **REPARATION COMMISSION:** Sir J. Bradbury,<sup>1</sup> Mr. McFadyean;<sup>2</sup> **EXPERTS:** Sir B. Blackett,<sup>3</sup> Mr. Waley,<sup>4</sup> Mr. Grigg;<sup>5</sup> **SECRETARIES:** Mr. Jones, Mr. St. Quentin Hill.

<sup>1</sup> Principal British Representative on the Reparation Commission, Paris.

<sup>2</sup> Mr. A. McFadyean, a Principal in H.M. Treasury, and General Secretary of the Reparation Commission.

<sup>3</sup> Controller of Finance in H.M. Treasury.

<sup>4</sup> Mr. S. D. Waley, a Principal in H.M. Treasury.

<sup>5</sup> Mr. P. J. Grigg, a Principal in H.M. Treasury, and Private Secretary to Sir R. Horne.

*France*: M. Doumer, Minister for Finance; M. Loucheur, Minister for the Liberated Regions; REPARATION COMMISSION: M. Aron; EXPERTS: M. Seydoux, M. Avenol, M. Tannery, M. de Margerie, M. de Felcourt, M. Petsche; SECRETARY: M. Massigli.

*Italy*: Signor Raineri, Minister of Redeemed Provinces; REPARATION COMMISSION: Signor d'Amelio; EXPERTS: Signor Rossini,<sup>6</sup> Signor Giarrocca, Signor Barone.

*Japan*: REPARATION COMMISSION: M. Sekiba; EXPERT: M. Matsuda.

INTERPRETER: M. Mathieu.

The meeting of the commission of the Finance Ministers had before them a report by the Committee of Financial Experts, in answer to certain specific questions which had been addressed to the experts. This report is reproduced as an appendix to these minutes, and has been circulated as A.J. 316.

M. THEUNIS read the answer of the experts to the first question, and said that perhaps the experts had not been completely in agreement as to the degree of responsibility of the German Government; but, personally, he thought that it would be necessary to expand the reply which they had made to the question put to them on this point. He attached very great importance to the question of the responsibility of the German Government for the present financial situation. It must not be forgotten that in Belgium, and doubtless also in France, any moratorium would be very unpopular. If, consequently, it were decided to grant to Germany new facilities for payment, it would be essential at the same time to exact from her new guarantees. In order to justify the Allied Governments in guaranteeing a new postponement to Germany, it was absolutely essential to add new guarantees to those provided for by article 7 of the schedule of payments.<sup>7</sup> If this were not done, criticism, and what was more, justifiable criticism, would be aroused. Responsibility would rest on the same statesmen both for the agreement concluded in London last May and for the decisions which would be taken very shortly. Would not one be justified in saying to them that the resolutions which they were going to make were the best proof that the measures of control decided on in London were insufficient? If new guarantees were not exacted, it would be quite reasonable to suppose that in three or six months the same situation would arise—the fleece would go on shrinking. It was therefore necessary to assert that the strengthening of control was bound together with the grant of new facilities.

M. DOUMER suggested that the following words should be added to the first reply contained in the report by the financial experts: 'In addition to obligations imposed by article 7 of the schedule of payments.'

SIR ROBERT HORNE referred to the danger of confusing separate issues by dealing with several answers at once. He agreed that the questions of responsibility could not be entirely separated from that of the grant of facilities

<sup>6</sup> Signor Carlo Conti Rossini, Director General of the Italian Treasury.

<sup>7</sup> Drawn up at the Fourth Conference of London in May 1921 (see Vol. XV, No. 83, Appendix 2, and No. 86, n. 6).

Germany must improve her position by her own action. M. Theunis had indicated that the guarantees devised in London had been in operation during the last eight months, and he had concluded from that that the present situation could be attributed to their insufficiency. This conclusion was not obvious. It was not necessarily to the failure of the Commission [*sic*] of Guarantees<sup>8</sup> that the present crisis should be attributed. It must be remembered that all European countries had begun the year 1921 with expectations of revenue which had not been realised, and Germany's failure to produce as large a sum in reparations as had been expected must be partly due to the same cause as had affected other countries, i.e. the condition of trade. No doubt by granting subsidies and allowing unnecessary expenditure, the German Government were prejudicing the payment of reparations, but the tendency of Germany to collapse was due in part to the condition of trade. He was personally opposed to stringent control. He hoped that the present meeting would consider and agree to the second answer made by the Committee of Experts, and would thereafter go into the methods which should be adopted to produce a better condition of things in Germany.

M. THEUNIS admitted that the causes which had produced a restriction of business in other European countries had also operated in Germany, but Germany had no unemployment in 1921, and her revenue in paper marks exceeded expectations. The increase in this revenue might have compensated for the fall of the mark if the Reichstag had taken proper measures immediately after the armistice. He thought that the answer to the second question should be discussed now.

M. LOUCHEUR stated that he wished to say a few words in reply to Sir Robert Horne. The question was not one of knowing whether the Committee of Guarantees had functioned well. For his part he could say outright that he thought it had functioned badly and that a grave error had been made when it had been decided, contrary to the proposal of the French Government, that the committee should not sit in Berlin.<sup>9</sup> The French delegation would put forward to the conference a resolution on this subject before the conference terminated. As for the question of exacting new guarantees from Germany, he wished to remind Sir Robert Horne that in London the French delegates clearly stated that the indispensable condition of any grant of a moratorium to Germany was the establishment of new guarantees.<sup>10</sup>

It was a bad policy to fear to take on oneself new responsibilities and in this respect he had much to say on the reply made by the experts to the fifth question which had been put to them. On the contrary, he thought it was necessary to have the courage to assume one's responsibilities. The Allied Governments would have to assume the responsibility of imposing good finance on Germany. Continual postponement of payments had the result of keeping alive the trouble in Europe. To confine oneself to giving advice

<sup>8</sup> The Committee of Guarantees, a sub-commission of the Reparation Commission, was set up under Article 6 of the Schedule of Payments; it was formally constituted on May 27, 1921.

<sup>9</sup> See Vol. XVI, No. 638.

<sup>10</sup> See Vol. XV, No. 107.

to Germany was **no solution** of the problem. Within a year the same situation would arise. **The French delegation** could not then agree to the grant of facilities for **payment in the year 1922** unless at the same time new guarantees were exacted. **It could not be forgotten** that the present German Government was too weak itself to take the measures which were imperative unless they were dictated to it by the Allies. It was not necessary to recall that the proposals for new taxes had not been voted and that, on the contrary, the income tax had just been reduced. This scandal must cease.

M. THEUNIS then read the answer by the experts to the second question, and asked that, as neither Belgium, Italy, nor Japan were represented at the recent meetings in London,<sup>11</sup> a French or British expert should give an explanation of the reasons why it was thought that a moratorium should be granted to Germany.

SIR ROBERT HORNE proposed that the meeting should approve the reply of the experts to question 2, and then discuss what Germany should pay this year.

M. DOUMER suggested the deletion of the words 'in any case' in the reply of the experts to question 2. There was a case for according facilities during 1922. There was no case for extending these beyond 1922.

M. THEUNIS stated that the report of the experts had in no way the character of a decision. The committee had considered only the payments in 1922.

M. DOUMER said that this explanation satisfied him.

M. THEUNIS then asked for an explanation of the figure of 500 million marks which is referred to in question 3.

SIR ROBERT HORNE explained the reasons which had led to the adoption of the figure of 500 million gold marks for payments in 1922. He had taken measures to learn what Germany had in hand for this purpose, and the information he had received was that Germany could pay no more than 300 million gold marks early in 1922, and it would be difficult even to collect that sum in January or February of this year. He was in touch with financiers in London who had been accustomed in the past to do business with Germany, and he had received information as to what Germany wanted to borrow in London. The latter sum would clearly be no larger than her actual needs. The gentlemen he had consulted were not anxious to help Germany if she did not need that help, but they were anxious to avoid a German collapse. The British view was that it was more important to keep a Germany which would pay reparations than to bring Germany to ruin, and so have no opportunity of getting any compensation. If Germany made large payments in kind, as she was bound to do under the Wiesbaden Agreement,<sup>12</sup> she could obviously not pay large sums in cash. The maximum payment in kind had been assessed at 1,250 million gold marks to France and 500 million gold marks to other countries. In addition, there were 500 million gold marks in cash. The total was 2½ milliards of gold marks. He had had communications in London with Herr Rathenau,<sup>13</sup> who had

<sup>11</sup> Ibid., Chap. VII.

<sup>12</sup> See No. 3, n. 13.

<sup>13</sup> See No. 3, n. 12.

been a Minister, was an important trader and was interested in securing German financial and political stability. He had sifted all the information he had received very carefully, and at the end of the process it seemed to him that 2½ milliards of gold marks was as much as could be expected from Germany, unless we were to kill the goose that was to lay the golden eggs. There was another consideration. Germany could clearly only pay by the returns from her export trade. Whatever figure was taken for this, the export trade of Germany was very much less than it was before the war. He wished to add that the payments in kind had been set at their maximum figures, but it was obvious that the more Germany paid in kind the less she could pay in cash.

M. LOUCHEUR pointed out that the French delegation had indicated in London that the payments in kind which France could take in 1922 represented between 1 and 1½ milliards of gold marks.<sup>14</sup> It must not be concluded that she could absorb at once 1½ milliards. It appeared now that France would not be able to receive in 1922 more than 950 millions of gold marks in kind. On the other hand, in the London conversations, attention had not been directed to the payments made by Germany to the clearing houses. Perhaps if this aspect of the problem were considered, a method could be found of improving the London proposals to the benefit of certain of the Allies.

SIR ROBERT HORNE stated that the figures already given were in addition to payments made through the clearing houses.

M. THEUNIS said that he attached all the more importance to M. Loucheur's remarks because article 251 of the treaty, which lays down the order of payments, gives priority to the costs of the armies of occupation and then to payment of reparations. The other payments to be made in virtue of the treaty only came in the third place. Up to the present time, payments intended for the clearing houses had been made with a kind of priority over the whole of the German payments. It would, therefore, be very interesting if the experts could examine the question that afternoon. In fact, the payments which were in question had, according to the terms of the treaty, no priority.

SIR ROBERT HORNE stated that clearing-house payments had nothing to do with reparations. These payments were made to private creditors in Allied countries. The clearing houses were merely conduits through which payments by private persons in Germany to private persons in Allied countries were effected. They had no relation to the national debts of Germany to the Allied countries.

M. THEUNIS replied that as the German Government bore the loss of exchange on payments made through the clearing houses, and so provided nine-tenths of the water which filled the conduits, these payments had material relation to reparations. He thought the question should be submitted to the Committee of Experts.

SIR ROBERT HORNE deprecated this course unless there were a very strong

<sup>14</sup> See Vol. XV, No. 107.

reason for it. The Reparation Commission had agreed to the German Government bearing the burden of payments made through the clearing houses on the ground that, if this were not done, a condition of things prejudicial to reparations would result. This fact could not be given as a reason for dealing with the clearing houses as if they affected the payment of reparations.

M. THEUNIS maintained that the clearing-house payments did affect reparations. The German Government was ruining itself on behalf of its nationals and could therefore not pay reparations.

SIR ROBERT HORNE stated that, if the chairman felt strongly on this point, he did not wish to maintain his objection to the question being referred to the experts.

He understood that M. Alphand<sup>15</sup> was on his way to Cannes, and he would give instructions for Mr. Grey<sup>16</sup> to come to Cannes also so that the questions might be considered on Monday or Tuesday of next week.

M. THEUNIS thanked Sir Robert Horne. The question was an important one. The German practice in this matter was exactly similar to the subterfuges adopted in order to maintain reduced railway charges. There could not be any real disagreement between the delegations on this question, in which all the Allies were interested. From the Belgian point of view, according to information he had recently received, there was no profit to be derived from modifying the present arrangement, as Belgium was expecting a larger share very shortly from clearing-house payments.

M. LOUCHEUR said that the same applied to France.

M. THEUNIS remarked that M. Loucheur had made every reservation in regard to the possibility of France receiving in 1922 more than 950 million of gold marks in respect of payments in kind, including deliveries under Annex 2.<sup>17</sup> At the same time as the French Government was envisaging the possibility of reducing the figure settled at London of payments in kind, our examination should be made, he thought, in regard to the possibility of a corresponding increase in money payments. He suggested that the experts should examine the reasons why Germany should not be asked to pay the value of 25 per cent. of her exports. This would give a sum of 900 million gold marks a year, even if consideration were limited to exports to countries where the exchange was in a better position than the German exchange.

The Committee of Guarantees had announced yesterday that the German Government had agreed to pay a sum of 25 million gold marks every ten days, which was at the rate of 25 per cent. of the value of German exports. This would give a sum of 900 million gold marks a year. Further, it was probable that in 1922 German exports would exceed the figure of 4 milliards of gold marks. It would be easier to count on obtaining by this means the 900 million gold marks if the Committee of Guarantees were to check more carefully the values on which the German statistics were based. It would

<sup>15</sup> French Consul, Director of the Department of Private Property and Interests.

<sup>16</sup> Mr. E. Grey, Controller of the British Clearing House.

<sup>17</sup> i.e. Annex 2 of the Schedule of Payments (see n. 7).

be found that the German statistics were based on values assessed on interior costs in Germany and the special prices levied on exports were ignored. As an example of these special prices, he referred to the prices charged for a recent purchase of German tiles by Belgium. He maintained that the payment of 25 million gold marks by Germany every ten days would not harm her economically, provided that the payments through the clearing houses for deliveries in kind were reduced.

SIR ROBERT HORNE suggested that the German offer was merely a recognition of Germany's obligations under the schedule of payments. Did anyone suppose that Germany could really make these payments? If the gold reserve of the Reichsbank were utilized for this purpose, the mark would continue to depreciate with consequential injury to all European currencies. He did not believe that Germany could pay 900 million gold marks a year in cash without further confusion of European currencies, and he expressed the hope that Germany would not be forced to pay this amount in cash.

M. THEUNIS replied that it was difficult to know, within some hundreds of millions, the German powers of paying. Were not the Allied experts deceived last May? The experts had said, it was true, in their report that payments in gold and payments in kind were closely connected. Now a new fact had appeared; the French Government had declared that it was ready to reduce by 500 or 600 million gold marks the figure for reparations in kind for 1922. It would seem, then, that one should be able to reconsider the figure of 500 million gold marks, which was envisaged at London as the payment to be made in cash. If account were taken also of the possibility of diverting the payments made through the clearing houses, there would appear to be good ground for asking the experts to examine the problem anew, and to take into consideration both these elements.

SIR ROBERT HORNE stated that the fact that the value of deliveries in kind to France would probably not exceed 950 million gold marks had been envisaged at the time of the London conversations. It could not, therefore, be held that Germany's capacity to pay in cash would be increased above 500 million gold marks if the deliveries in kind to France were no more than this figure.

M. THEUNIS demurred to this. The German Government was bound to pay its nationals the value of deliveries made in kind. At the same time, deliveries in kind made for the benefit of an Allied country and effected in virtue of the schedule of payments in the Wiesbaden Agreement would cease to be available for exportation to other countries. There was, therefore, a connection between the capacity of Germany to make payments in money and the size of payments in kind.

SIR ROBERT HORNE expressed anxiety at the delay which he feared in dealing with the questions of reparations. He had hoped for a decision to-day on the amount of Germany's payments this year and their division amongst the Allies. Further discussion on the question of Germany's capacity to pay would lead to delay.

M. THEUNIS emphasised the necessity of considering public opinion in



Belgium and France. A consideration of the sacrifices which these countries would have to make could not be hurried.

SIR ROBERT HORNE said he appreciated this fact, and suggested that the commission should meet again in the afternoon.

He desired to give notice to the commission of a proposal which he would make later, namely, that the question of reparations should be considered in consultation with a German representative, and that the Allies should ask a German representative what Germany would be prepared to do if the delay asked for were granted. He begged his colleagues to think over this proposal before they met again.

M. LOUCHEUR requested that this proposal should not be divulged to the press, and this was unanimously agreed to.

The conference agreed:

(1) To resume their discussion at 6 p.m.<sup>18</sup> the same day in the Cercle Nautique.

(2) That the announcement to the press should be as follows:

'The Financial Commission has examined the reply given by the experts to questions put to them and the discussion will be continued this evening.'

*Carlton Hotel, Cannes, January 7, 1922*

(A.J. 316.)

## APPENDIX TO No. 7

*Replies prepared by Committee of Financial Experts in answer to certain Specific Questions, and submitted to the Financial Commission at the Meeting held on January 7, 1922, at 11.30 a.m.*

### I

Are the experts agreed that Germany has done practically nothing to put her finances in order? Are they agreed in thinking it indispensable to take measures in order that the situation may not be prolonged?

The committee has not been in a position to appraise the precise degree of responsibility of the German Government. It is, however, agreed that the responsibility exists and is sufficient in degree to justify, as a condition of any concession which it may be thought fit to accord, the imposition of conditions for securing a better conduct of German financial affairs in the future.

### II

Is there any reason to grant a delay, and, if so, for what period?

The committee thinks that there is reason to contemplate the grant to Germany of certain facilities for payment in any case during 1922.

<sup>18</sup> The discussion was not resumed until January 9 (see No. 12, below). On the evening of January 7 the principal members of this Commission were at a meeting which lasted from 5 p.m. to 6.45 p.m. (see No. 8), and at a conference which began at 7 p.m. (see No. 9, below).

### III

Can Germany really pay no more than 500 millions in cash during 1922?

The committee is of opinion that it is impossible to consider separately the amounts to be paid in cash and kind. At the same time it is evident, on the one hand, that if one had to take account only of the financial rehabilitation of Germany, it would be desirable to reduce so far as possible the cash payments in 1922; on the other hand, it is equally evident that account must be taken of the cash requirements of the creditor countries.

### IV

Can a foreign loan be raised by Germany in existing circumstances?

The committee believes not.

### V

What is the view of the committee respecting the conditions to be imposed upon Germany?

The committee has agreed with the principles of the conditions outlined in the London suggestion. At the same time, certain members of the committee have expressed the view that these suggested conditions go dangerously far in the direction of transferring to the Reparation Commission a responsibility which should probably rest with the German Government alone.

*Cannes, January 7, 1922*

### No. 8

I.C.P. 224] *British Secretary's Notes of a Meeting of the Allied Commission on the forthcoming Economic Conference, held at the Cercle Nautique, Cannes, on Saturday, January 7, 1922, at 5 p.m.*

**PRESENT:** *Belgium:* M. Theunis; **REPARATION COMMISSION:** M. Delacroix; **SECRETARY:** M. Gutt.

*British Empire:* The Rt. Hon. Sir R. Horne, G.B.E., K.C., M.P.,  
The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P.;  
**EXPERTS:** Sir B. P. Blackett, Sir R. M. Kindersley,<sup>1</sup> Sir  
Allan Smith,<sup>2</sup> Mr. S. D. Waley, Mr. P. J. Grigg, Mr. E. F. Wise;<sup>3</sup>  
**SECRETARIES:** Mr. T. Jones, Major Caccia, Mr. E. Alden.<sup>4</sup>

*France:* M. Doumer, M. Loucheur (*in the Chair*); **EXPERTS:** M.  
Seydoux, M. Avenol, M. de Felcourt, M. Petsche; **SECRETARIES:**  
M. Massigli, M. Bressy.

*Italy:* Signor Raineri; **REPARATION COMMISSION:** Signor Laviosa;  
**EXPERTS:** Signor Rocco, Signor Jung, Signor Pirelli, Signor  
Bussetti, Signor Mylius.

<sup>1</sup> A director of the Bank of England.

<sup>2</sup> M.P. for Croydon South, Chairman of the Managing Committee of the Engineering Employers' Federation.

<sup>3</sup> British Representative on the Permanent Committee of the Inter-Allied Supreme Economic Council.

<sup>4</sup> Private Secretary to Sir Laming Worthington-Evans.

*Japan*: REPARATION COMMISSION: M. Sekiba; EXPERT: M. Matsuda; SECRETARY: M. Yamaji.  
INTERPRETER: M. Mathieu.

*Proposals for re-establishing Better Economic Conditions in Europe.*

(a) *Preamble*

1. M. LOUCHEUR suggested that the meeting should in the first place consider the preamble to the proposals for the re-establishing of better economic conditions in Europe, as drafted in Paris.<sup>5</sup> Following on yesterday's meeting of the Supreme Council,<sup>6</sup> it had been thought advisable to make certain slight alterations, which he would now submit for the approval of the meeting:

(The statement read by M. Loucheur (Appendix I)<sup>7</sup> was agreed to without amendment.)

(b) *Formation of International Association*

M. Loucheur, continuing, said that it now remained to consider the necessary details in connection with the creation of the association proposed. He understood that the British representatives desired to put forward some new proposals.

SIR L. WORTHINGTON-EVANS said that the British delegation still held firmly to the opinion expressed in Paris,<sup>8</sup> that the best scheme to adopt would be a single central corporation with a sterling currency. The British delegation strongly opposed the proposal to create a central corporation with a number of affiliated companies. The latter scheme would not make such a favourable impression on the public as a large central corporation subscribed to by all in the same currency. He expressed these views even at the risk of being misunderstood, and, whilst deeply sympathising with the countries possessing temporarily reduced currencies, he felt convinced that a far better feeling of co-operation would be obtained if sacrifices were made to set up one corporation on a sterling basis as the expression of their united views. On the other hand, if the proposal for a sterling capital should be unacceptable he would be prepared to consider alternatives. But the more he considered the question, the more he became convinced that a sterling capital would be acceptable to three-fourths of the subscribers, if not more. A suggestion had been put forward that two currencies should be accepted: the pound sterling and the franc.<sup>9</sup> He doubted whether his Italian friends would accept this proposal since they would naturally prefer to have some part of the capital in lire. In the same way he did not know what views the Belgians took in regard to this matter: they might prefer to have Belgian francs. In addition the feelings of the Dutch and Swedes would have to be considered, and it appeared to him that once the system of a single

<sup>5</sup> Vol. XV, No. 117, Appendix 3.

<sup>6</sup> See No. 6.

<sup>7</sup> Not printed. For the text as revised on January 10, see No. 16, Appendix 1, below.

<sup>8</sup> See Vol. XV, No. 114.

<sup>9</sup> See *ibid.*, No. 116.

currency were departed from, they would risk creating a veritable Tower of Babel in currencies.

(c) *Franco-British Proposal. A Single Corporation with Capital in Two Currencies*

M. LOUCHEUR wished to invite attention to the fact that since the Paris Conference a new Franco-British proposal had been studied to set up a single corporation with a part of the capital in sterling, and a part of the capital in francs. Indeed, the British delegates had drawn up a memorandum, which he proposed to read to the meeting (Appendix 2).

He (M. Loucheur) had consulted certain leading French and Belgian bankers in regard to these proposals, and he had received in reply a telegram, which he would be glad to show to Sir L. Worthington-Evans. The bankers, whilst still strongly in favour of the original French proposal to set up a central corporation with affiliated consortiums, expressed their willingness to accept the above proposals merely as a means to arrive at an agreement. In conclusion, he wished to thank the British delegation for the effort which they had made to arrive at a solution, as set forth in the memorandum which he had read.

M. DOUMER, interposing, enquired whether Sir L. Worthington-Evans accepted the proposals which M. Loucheur had just referred to; or whether he still adhered to the statement he had made at the commencement of the meeting.

SIR L. WORTHINGTON-EVANS insisted that the solution advocated by the British delegation involved a capital entirely in sterling. The paper read by M. Loucheur had been drawn up solely to meet M. Loucheur's wishes; but it did not represent the views of the British. He desired to adhere to the proposal to have a single currency, and he would like to have the views of the other delegations on that point.

M. LOUCHEUR said that he had understood that the British had made a firm offer in regard to the proposals which he had read. On the other hand, if it were intended to create a company with only a sterling capital, he wished at once to inform the meeting that the French Government would never accept such a proposal if a large capital were involved.

SIGNOR RAINERI expressed the view that the Italian delegates found some difficulty in accepting either the British proposal to have a sterling capital, or the proposals set forth in the memorandum (Appendix 2), which contemplated a sterling and franc capital. In both cases Italy would find herself placed in a very difficult position, and, before arriving at any decision, he would require some further explanations as to the risks involved.

M. DELACROIX said that the Belgian delegation fully realised the difficulties in connection with the exchange, and the impossibility of constituting a company whose capital would be made up by a variety of currencies. But whatever solution might be reached on this point, he felt that it would be difficult for Belgian nationals to subscribe such a sum of money as would give to them that share in the work of restoration to be carried out in Russia, to which their pre-war activities in that country entitled them. Therefore, he must

insist that Belgium should be given perfect liberty to carry out in Russia such work as they might desire to take up, without reference to the actual amount of capital invested in the association. In other words, private enterprise should have full scope in Russia, and no monopoly should be granted to the company under consideration. In this connection he would invite attention to the note (Appendix 3)<sup>10</sup> which the Belgian delegation had submitted to the conference in Paris.

M. MATSUDA said that the meeting had to deal with a very difficult and complicated question. He understood, however, that the company to be created would be entirely private, and would not be under Government control. He had not, so far, had any opportunity of obtaining the opinion of Japanese bankers, but he felt confident that the latter would have no difficulty in subscribing to the company in question, whether the capital were in sterling or in francs.

M. DOUMER desired to draw the attention of his British colleagues to the fact that to ask the French, Belgians, and Italians to subscribe to a sterling loan, meant investing money in such a manner that it would be bound to diminish in value sooner or later. Great efforts were now being made in each of these countries to improve their currencies, and it was realised that the franc and lire would in due course again attain their normal value. Consequently, should a large sum of French money be subscribed to a sterling investment at the present moment, its value would in a few years' time be halved. The greatest difficulty would, therefore, be experienced in inducing French manufacturers to invest their money in an undertaking that would undoubtedly lead to loss. It had at one time been decided to create a central corporation with merely a nominal capital, which it might have been possible to raise in sterling. But if a large sterling capital were involved it would, in his opinion, be quite impossible to get French people to subscribe to it.

SIR L. WORTHINGTON-EVANS did not think the conference would care to discuss the size of the capital involved. That question had been discussed in Paris for two days,<sup>11</sup> with the result that it had been unanimously decided that it would be necessary to set up a good façade to show to the world. Therefore, no useful purpose would be served by reopening that question. He fully recognised the difficulties in the way of asking all countries to subscribe in one currency. It could not be done without taking certain risks, but the whole object of the scheme was to co-operate in helping nations who found themselves in a far worse position in regard to their currencies.

M. DELACROIX observed that he had not intended to discuss the building of the façade. Indeed he fully realised that a façade would be useful and necessary. But, Belgium asked to be allowed to work behind that façade, even if difficulties might be found to provide the capital required by the corporation. In his opinion, it would make very little difference whether the capital were raised in sterling or in francs.

<sup>10</sup> Vol. XV, No. 117, Appendix 2.

<sup>11</sup> At the meetings of the Allied Financial delegations on December 30 and 31, 1921 (see Vol. XV, Chap. VIII).

M. DOUMER, intervening, remarked that a capital of £20,000,000 sterling raised at 50 fr. to the £ would in five or six years' time only be worth £10,000,000.

M. DELACROIX, continuing, said that he had no desire to discuss that point. The point he wished to make was that no monopolies should be raised and that Belgium should have perfect freedom to take her full share in the economic development of Russia particularly in those economic spheres of influence which she had acquired before the war. In other words, the amount of capital subscribed to the corporation by Belgium should not be taken as the index of her share in the work for the economic reconstruction of Russia.

*(d) Italian Proposal for Sterling Capital with Guaranteed Rate of Exchange for Subscriptions in Francs and Lire*

SIGNOR PIRELLI expressed the view that the question of exchange as it affected the proposals before the meeting could be restricted within very narrow limits. Certain countries, such as Japan and England, possessed gold currencies with a stable money value. Again, the question of the mark need not be considered. Therefore, the only countries affected would appear to be France, Belgium, and Italy. Great Britain naturally preferred a sterling capital. In these circumstances, would it not be possible to accept a sterling basis for the capital required with a private understanding that a part of that capital would be subscribed for in francs or lire at a fixed rate of exchange and eventually refunded at the same rate? The subscriptions to the capital, the dividends and the final repayment would thus all be calculated at a prescribed rate of exchange. The fact that such an agreement existed need not be made public as no useful purpose would be served by advertising that fact.

In the second place, he fully agreed that a façade in the form of a substantial sum would be necessary; but would it really be necessary to subscribe all the capital at once? In his opinion only a very small sum need be called up at first, so that the question of the size of the capital also lost a great deal of its importance.

SIR LAMING WORTHINGTON-EVANS said that he would like to hear the views of the French delegates on the proposals made by Signor Pirelli. He interpreted these to mean that the capital of the corporation should be fixed in £ sterling; but there would be a guaranteed rate of exchange for subscriptions in francs and lire. In his opinion, the rate of exchange to be fixed, whether 50 fr. to the £ or otherwise, was immaterial, but sums subscribed would be accepted for dividend at that rate and repaid in the final liquidation at the same rate. The risk involved would be that the corporation would have to draw upon its sterling capital in order to meet its guarantee, should the value of the franc or lire greatly appreciate. That risk did not, in his opinion, offer an insuperable difficulty, provided the amount subscribed in francs and lire merely represented a small proportion of the whole, say, 20 to 25 per cent. He (Sir L. Worthington-Evans) could not forthwith accept

Signor Pirelli's proposal; but he was prepared to give the same his careful consideration. Before doing so, however, he would be glad to know whether the proposal in question would satisfy the French and Belgian representatives.

M. LOUCHEUR said that he found no difficulty in appreciating the full value of Signor Pirelli's scheme. He fully realised that in so far as the payment of dividends and the refund of capital subscribed were concerned, no vital difference existed between Signor Pirelli's scheme and that set forth in memorandum A.J. 314 (see Appendix 2).

From a political point of view, however, a very great difference existed between the two schemes, for instead of floating a company with a capital of £16,000,000 in sterling and £4,000,000 in francs, there would be a company with £20,000,000 in £ sterling with different categories of subscribers.

In this connection the fact must not be forgotten that France had lent over 20 milliards of francs to Russia; and under Signor Pirelli's scheme, when commerce would again be resumed between France and Russia, the recognised coinage would then be the £ sterling.

Taking these facts into consideration, the best solution of the difficulty would have been to accept the original scheme to have a parent company with a sterling capital and a smaller affiliated company in France with a capital in francs. Failing this the proposals contained in memorandum A.J. 314 had been accepted as a compromise (see Appendix 2).

Now, Signor Pirelli's scheme, though not differing materially from the latter, introduced further obstacles from a political point of view, and the fact remained that the whole of the capital would be expressed in sterling, as well as the annual balance sheets. He did not wish to reject the schemes in question, but like Sir L. Worthington-Evans, he would ask for time to think over it.

M. DELACROIX asked that an answer might be given to the questions which he had previously set.

M. LOUCHEUR, after consulting Sir Robert Horne, stated that no monopolies of any kind would be granted to the corporation under consideration. The latter would be purely a private concern without Government control. Each country had agreed to retain its own freedom of economic action.

SIR ROBERT HORNE said that it would be interesting to hear the views of the Belgian representatives on Signor Pirelli's scheme. Would Belgium desire to reserve a certain proportion of the capital for herself with a guarantee as suggested, or would she subscribe in French francs?

M. THEUNIS thought that no complete solution of the question under discussion could be found. It would be necessary to take some risks. If it were otherwise, it would mean that it was possible to find a solution to the question of exchanges.

SIR ROBERT HORNE said that the question to be answered appeared to be whether the risk connected with the fluctuation of exchanges should be taken by particular subscribers or by the corporation as a whole. Under Signor Pirelli's scheme, involving a guarantee, the risk would have to be taken by

the corporation, that is, by all the subscribers as a body. On the other hand, without a guarantee, the risk would be confined to particular subscribers.

M. THEUNIS said that, looking at the question purely from an ethical point of view, a foreigner would obtain the impression that he ran a greater risk in subscribing to a sterling loan. But, as a matter of fact, whenever an investment came to be made in money which was not based on a gold standard the risk of depreciation must exist, and eventually the capital refunded might be more or less than the amount originally invested.

As far as he was concerned, he would be prepared to accept a sterling capital; but he agreed that it would no doubt be easier for each country to obtain subscriptions in the national currency.

M. LOUCHEUR wished the meeting to consider the following aspect of the case, which had struck him very forcibly. The ordinary man in the street who purchased a share labelled in francs would clearly understand that he had invested (say) 50 fr. for the purchase of the same, and that he would eventually be refunded that amount on liquidation. On the other hand, if the same person had purchased shares expressed in £ sterling (even though it might be stated in small print in one corner that £1 = 50 fr.), he would naturally at once become somewhat suspicious as the exchange began to rise. He would begin to wonder what actual sum would eventually be refunded to him; and when it became a question of raising some £4,000,000, the sum allotted to France, it would naturally, under such conditions, become impossible to find the necessary number of subscribers. Without pursuing the question further, he wished, however, to make it perfectly clear that the French representatives would never agree to raise subscriptions in sterling without a guarantee, except in the case of a purely nominal capital.

M. DOUMER said that two new proposals had been placed before the meeting namely, the Franco-British proposals (A.J. 314) and Signor Pirelli's scheme. He suggested that the meeting should be adjourned in order to give time further to study these proposals

The meeting agreed to study, with a view to further discussion at a later date:

- (i) The Franco-British proposal to the effect that the corporation should be registered in England with a capital of £16,000,000 sterling in shares of £10 each and 200,000,000 fr. in shares of 500 fr. each (see Appendix 2, A.J. 314).
- (ii) Signor Pirelli's scheme, that the capital should be raised in sterling with an agreement amongst the promoters to the effect that a portion of the capital should be raised in francs and lire respectively at a fixed rate of exchange, the same rate of exchange being applied to dividends and to the eventual refund of capital.

*(The meeting adjourned at 6.45 p.m.)*

*Carlton Hotel, Cannes, January 8, 1922*



## APPENDIX 2 TO No. 8

### *British Proposal to overcome the difficulty arising from Exchange in subscribing the capital of the European Industrial Corporation*

(A. J. 314. Secret.)

The corporation shall be registered in England and with a capital of £16,000,000 sterling in shares of £10 each and 200,000,000 fr. in shares of 500 fr. each. Dividends shall be paid upon the sterling shares in sterling and upon the franc shares in francs, and upon liquidation the capital shall be returned on the sterling shares in sterling and on the franc shares in francs.

England, Germany and the United States, if she joins, will subscribe sterling shares and France will subscribe franc shares.

Other nations shall choose which class of share they will subscribe, but not more than 200,000,000 fr. will be accepted.

*Cannes, January 5, 1922*

## No. 9

I.C.P. 225] *British Secretary's Notes of an Allied Conference held at the Cercle Nautique, Cannes, on Saturday, January 7, 1922, at 7 p.m.*

PRESENT: *America*: Colonel Harvey, Ambassador in London; SECRETARY: Mr. le Clercq.

*Belgium*: M. Theunis, Prime Minister; M. Jaspar, Minister for Foreign Affairs; REPARATION COMMISSION: M. Delacroix; SECRETARIES: M. Gutt, Viscount Davignon.

*British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; The Rt. Hon. Sir R. Horne, G.B.E., K.C., M.P., Chancellor of the Exchequer; The Most Hon. the Marquess Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; The Rt. Hon. Sir L. Worthington-Evans, Bt., M.P., Secretary of State for War; EXPERTS: Sir B. Blackett, Mr. Waley; SECRETARIES: Mr. Thomas Jones, Mr. St. Quentin Hill, Sir E. Grigg, Mr. Vansittart.<sup>1</sup>

*France*: M. Briand, President of the Council (*in the Chair*); M. Doumer, Minister for Finance; M. Loucheur, Minister for the Liberated Regions; EXPERTS: M. Laroche, M. Tannery, M. Petsche, M. Avenol; REPARATION COMMISSION: M. Aron; SECRETARIES: M. Massigli, M. Bressy.

*Italy*: Signor Bonomi, Prime Minister; Marquis della Torretta, Minister for Foreign Affairs; Signor de Nava, Minister of the Treasury; Signor Raineri, Minister of Redeemed Provinces; EXPERTS: Signor Giannini, Signor Barone, Signor Conti-Rossi, Signor Giarrocca; REPARATION COMMISSION: Signor d'Amelio; SECRETARIES: Signor Brambilla, Signor Rocco, Signor Buti.

<sup>1</sup> Private Secretary to Lord Curzon.

*Japan*: Baron Hayashi, Ambassador in London; Viscount Ishii, Ambassador in Paris; *EXPERT*: M. Matsuda; *REPARATION COMMISSION*: M. Sekiba; *SECRETARIES*: M. Tokugawa, M. Kato. *INTERPRETER*: M. Mathieu.

1. *Reparations: Discussion on invitation to the Germans*

M. BRIAND invited Mr. Lloyd George to speak.

MR. LLOYD GEORGE said that he had asked for the meeting because he thought it a pity to allow a day to pass without a full conference. He understood that the two commissions were sitting, one to deal with reparations and the other with the resolution passed yesterday in regard to economic reconstruction. He thought that any difficulties which had arisen during the discussions of these commissions should be referred to the full conference. The respective publics of the various countries represented would feel dissatisfied, he thought, unless there was a plenary conference at some stage during the course of the day, especially in view of the fact that tomorrow was Sunday, and it would not be possible to hold a conference then.

M. BRIAND replied that he had no objections to Mr. Lloyd George's proposals. He then asked M. Theunis, as President of the Commission on Reparations, to make a statement.

M. THEUNIS then gave a detailed description of the discussion at the meeting held that morning of the Allied Commission on Reparations. This discussion is reproduced in the British Secretary's notes (I.C.P. 223).<sup>2</sup> He concluded by stating that the discussions of the commission would continue, and asked if the conference agreed to this.

MR. LLOYD GEORGE stated that he did not see why the Reparations Commission should have all the material for arriving at a conclusion, and the Allied Conference, on whom the responsibility rested, should not. He would like to ask a few questions of those Germans who had supplied the information on which the Allied Commission had so far failed to reach a conclusion. These persons were at Paris, and though M. Delacroix,<sup>3</sup> Sir John Bradbury and M. Dubois<sup>4</sup> had seen them, the Allied Conference were apparently not to see them. It was essential to find out what the Germans can pay. It was not so easy to find money to pay foreign debts. If the United States asked Great Britain to repay her debt it would be an embarrassment, and if Great Britain in turn asked other countries to repay her because of the United States' request, this would be an embarrassment to those countries. If it is difficult for the victors to find money to make foreign payments, it must be even more difficult for the vanquished, who had lost one half of one coalfield and more than one half of another. He did not know what the reparations in kind amounted to. The figures referred to by M. Theunis did not agree with those which he had. He knew the figures which M. Loucheur gave in London for the amount of reparations in kind which France expected to receive.<sup>5</sup> It was only what they expected to receive. What he wanted to

<sup>2</sup> No. 7.

<sup>3</sup> Belgian Delegate to the Reparation Commission.

<sup>4</sup> President of the Reparation Commission.

<sup>5</sup> See Vol. XV, No. 107.

know was, how much have we actually collected? Let the Allies have the account and see what Germany is short in before saying to Germany that they must pay 900 million marks. He would like to see how the account stood, then to interview those Germans who had been in Paris, and ask what Germany could pay; then to ask them why the Germans were not putting their house in order by stopping subsidies, &c.; and finally to reach a definite agreement with the Germans before the Cannes Conference broke up. He thought that a definite agreement was much more likely to be effective than an ultimatum. The Spa Conference<sup>6</sup> had achieved more practical results than any other conference. In the main, the agreement reached had been carried out. Why? The Germans were there, and agreed—it is true they were forced to agree—but they did agree. Herr Rathenau was in Paris at the present time, but he was not allowed to come to Cannes. He (Mr. Lloyd George) thought that the Allies should have been consulted as regards this. True this was France, but the conference was being held in France. He wanted to make progress. He did not want resolutions for the newspapers, combined with a statement that the Allies had reached an admirable agreement amongst themselves, which would be followed in four or five months' time by another meeting on the subject. Progress was essential. He had never heard of anyone, except a Supreme Council meeting, conducting business in this way, i.e., by making decisions without hearing the other party present their views, and without asking for full information and having all the material on which it is necessary to base decisions.

M. BRIAND stated that if the treaty had been executed not only in the letter but in spirit, the Allies would be in possession of all the information which Mr. Lloyd George desired. The treaty said that if Germany asked the Reparation Commission for a moratorium the commission should follow a certain procedure. This procedure had been followed. The Germans had been called to Paris and were there to give explanations and to justify their default. Instead of going into the reasons, they stated that they could only give explanations after the Cannes Conference had been held.<sup>7</sup> The Reparation Commission had insisted and had received a letter in which it was stated that Germany could not make known her views before the Cannes Conference had finished. This was unacceptable. If an explanation had been tendered by the Germans, the Reparation Commission would have communicated it to the Allied Conference, which would thus have had all the information so rightly asked for by Mr. Lloyd George. If the Germans were summoned it would appear as if the Supreme Council approved their attitude and disapproved of that of the Reparation Commission. The Germans would become arbiters of the destinies of the Allies. He thought the best way would be to allow the conversations between the Allied Finance Ministers to continue. The Supreme Council would only intervene in

<sup>6</sup> See Vol. VIII, Chap. VIII.

<sup>7</sup> See *Reparation Commission III Official Documents Relative to the Amount of Payments to be effected by Germany under Reparations Account*, vol. I (May 1, 1921–July 1, 1922), (London, 1922), nos. 6–9.

order to come to a decision when the differences had been reduced to a minimum.

It was impossible to call Germany into a discussion of difficulties which had been created by her own bad faith. As for Herr Rathenau, it would be impossible to summon him to Cannes. He was in Paris, but he was not a member of the German Government. He had asked whether he might come to Cannes and had been asked to wait in Paris. Interviews had taken place, and then, without warning, he had gone back abruptly to Berlin. As regards the situation in Germany, Herr Rathenau had expressed his opinion in Paris, but when he (M. Briand) was at Washington he heard a very contrary opinion given by Herr Bergmann,<sup>8</sup> who had been sent to New York to obtain a loan. Herr Bergmann had seen various important financiers on this subject, and had stated that his country could pay if the necessary physical effort were made.

The reason why the conference had no information before it was that Germany had refused to communicate the information to the Reparation Commission. He thought the best course would be to ask the commission charged with this problem to continue their deliberations. Only if this commission failed to reach a successful conclusion would the Supreme Council intervene and decide. The attitude of Germany forbade the receiving of German delegates at Cannes so long as agreement had not been reached amongst the Allies. French public opinion would not understand any other method of procedure.

SIGNOR BONOMI stated that Mr. Lloyd George had rightly remarked that the conference was bound to come to a rapid conclusion as to reparations. The commission to which this question had been referred had not made much progress because it had dealt with general questions. He suggested that the commission should start from the proposals made recently in London,<sup>9</sup> which could be used as a basis. There were three questions to be settled: (1) The amount of reparations in kind and in cash to be asked for; (2) the division of reparations; (3) the provision of guarantees by Germany. He thought the experts should be asked to submit an opinion on each of these instead of discussing general questions.

M. THEUNIS referred to the division of opinion between M. Briand and Mr. Lloyd George, and said that the German representatives, if they came to Cannes, would certainly try to exploit the differences between the Allies. He suggested that the Germans should be warned that their representatives might be required at Cannes at a very early date. As regards the general progress of the conference, he thought that this was exceptionally good.

MR. LLOYD GEORGE stated that he understood M. Theunis to suggest that the German Government should be warned to have their delegates ready to come to Cannes the moment an agreement was reached, but that this warning should not be sent until such an agreement was reached. In the discussions at Spa there had never been any difficulty *vis-à-vis* the Germans in

<sup>8</sup> Former Secretary of State in the German Ministry of Finance and former Head of the War Burdens Committee.

<sup>9</sup> See Vol. XV, No. 111, Appendix 3.

spite of differences of opinion between the Allies. When any differences of opinion arose between the Allied representatives they had retired into a separate room, but had preserved a solid front in face of the Germans. The presence of the Germans had enabled various questions to be discussed with them, but if M. Theunis would prefer that the present conference should decide upon its verdict before hearing the Germans, he did not oppose this, on one condition, viz., that the conference should have an opportunity of weighing what the Germans said, and should not merely fling an ultimatum at their heads. The Allied representatives should agree in principle among themselves, but M. Theunis fell into the error of imagining that the moment they reached an agreement the thing was done. It was not done. Experience showed that the difficulties then began. The Allies expressed an opinion and reached a formula, but when they went to the banks, say, the Bank of England, the Bank of France, or the Bank of New York, there was no cash. The Allies must find a formula which they could cash. He was perfectly certain that there was an advantage in having the Germans present at the conference and telling them from a body of men, who were in complete agreement, that they must put their house in order and must stop subsidies and other abuses. This was far better than exchanging documents with the Germans. With these reservations he desired to express his agreement, on behalf of the British delegation, with M. Theunis's suggestion to warn the German Government to have their delegates ready to attend at Cannes at twenty-four hours' notice from the conference.

M. THEUNIS expressed the hope that the conference, whilst hearing the Germans before telling them that they would have to pay, would act strictly in accordance with the treaty which was a kind of law to all.

MR. LLOYD GEORGE agreed. He thought the Germans should come to Paris and hold themselves in readiness there. In the meantime the experts should continue to consider the proposals which Signor Bonomi had made, and the general considerations which had been put forward at the present meeting of the conference.

M. LOUCHEUR then read the following telegraphic message which it was proposed to address to the German Government through the French Ambassador in Berlin:

'The Supreme Council will probably wish to hear your representatives next week (January 8-15). In order to save time we suggest that your representatives should go to Paris and hold themselves in readiness to come here when invited.'

The conference agreed:

- (1) That the message suggested by M. Loucheur should be addressed to the German Government by the French Ambassador in Berlin.
- (2) That the substance of the telegraphic message should be communicated to the press.

## 2. *Report of the Deliberations of the Commission on the Economic Conference*

M. DOUMER stated that the Commission on the Economic Conference had

been occupied in considering a draft put forward by M. Loucheur.<sup>10</sup> He invited Sir L. Worthington-Evans to explain the position.

SIR L. WORTHINGTON-EVANS stated that the document which had been settled in Paris (A.J. 307, second revise)<sup>11</sup> had been altered verbally. No substantial alteration had been made, but the commission had substituted the conclusion framed by the Allied Conference yesterday<sup>12</sup> for the formula agreed in Paris. The question of capital had been discussed and Signor Pirelli had made an interesting suggestion in order to prevent a temporary depreciation of the lire from precluding investments by Italians.<sup>13</sup>

There had been a useful exchange of opinions. None of these had been accepted, but none had been rejected. He hoped that a solution would be found. Signor Pirelli's suggestion had been most interesting.

The conference agreed:

That the Commission of Finance Ministers on Reparations should continue its deliberations tomorrow (Sunday) and that a further meeting of the Allied Conference should be held on Monday morning at 11 a.m. to consider the report of the commission if it were ready. If it were not ready, the Allied Conference would meet on Monday evening at 5 p.m.

*(The conference adjourned at 7.45 p.m.)*

*Cannes, January 7, 1922*

<sup>10</sup> See No. 8.

<sup>11</sup> Vol. XV, No. 117, Appendix 3; for the English text of this document as finally revised on January 10, see No. 16, Appendix 1, below.

<sup>12</sup> See No. 6, Appendix.

<sup>13</sup> See No. 8.

## No. 10

I.C.P. 225C] *British Secretary's Notes of a Conversation between Mr. Lloyd George and M. Briand, held at the Villa Valetta, Cannes, on January 8, 1922*

PRESENT: *British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; Sir Edward Grigg, K.C.V.O., C.M.G.

*France*: M. Briand, President of the Council; M. Massigli.

M. Mathieu, Interpreter, arrived towards the end of the conversation.

M. BRIAND explained at the outset that the Editor of the 'Étoile Belge' had been to him to apologise for having misinterpreted his views in the interview published the previous week. M. Briand thought that the whole thing was to be explained by some internal political manoeuvre in Belgium. He wished to assure Mr. Lloyd George of his indignation when he saw the form given to his words.

THE PRIME MINISTER said that he attached no importance to them from the moment M. Briand repudiated them. It was, however, essential to call M. Briand's attention to them at once as the statement attributed to him calling on Belgium to stand with France 'against' England and Italy would

have had a very bad effect upon public opinion in England. He had put it out of his mind from the moment he had received M. Briand's disavowal.

M. BRIAND thanked him. He said he had sent a correction to the Press even before he received Mr. Lloyd George's note.<sup>1</sup>

He then asked what Mr. Lloyd George thought of the French memorandum<sup>2</sup> handed in that morning.

THE PRIME MINISTER said that he appreciated a great deal of what was said in the memorandum, but that the tendency of the French suggestions was still really towards something in the nature of a military alliance, and this he could not recommend to English public opinion. Great Britain was quite ready to take the side of France against Germany in case of another German invasion, but she was afraid of unknown commitments such as seemed inevitable in a general military alliance. England would be quite prepared to do again what she did in 1914, and he would sign a declaration to that effect here in Cannes, but he could not go any further.

M. BRIAND asked whether they could not have some agreement analogous to that of 1914.

THE PRIME MINISTER said there had been no written engagement before the war.

M. BRIAND, on reflection, concurred, but stated, however, that his proposals were not meant to entail an offensive military alliance: it was purely defensive and limited to the case of an attack by Germany.

THE PRIME MINISTER said he was very glad to hear that and that he would submit a draft Treaty to M. Briand in a day or two.

M. BRIAND then asked what the Prime Minister thought of the second part of the document, that referring to an 'Entente Générale' between European Powers.

THE PRIME MINISTER said that Great Britain could not enter into any understanding which would place her in a position guaranteeing the general peace of Europe. This would seem to entail enterprises in the East of Europe which the British public would not contemplate.

M. BRIAND said he did not mean any military commitment, but he thought that it might be possible to expand Article VI of the British Resolution on the Economic Conference<sup>3</sup> in the form of the Four-Power Pacific Pact binding the nations to a general undertaking to refrain from aggression against each other.

THE PRIME MINISTER said that Great Britain had intended to work for such an undertaking and looked confidently for the co-operation of France, but it was essential that all Powers should be parties to it who were capable of disturbing the peace—especially the dangerous Powers like Russia, Germany, Poland and Hungary. Did M. Briand agree with him about this?

<sup>1</sup> Not traced in the Foreign Office archives.

<sup>2</sup> A translation (W 361/50/17) of this memorandum was communicated by the Cabinet to the Foreign Office where it was received on January 12. The French text of the memorandum, with a translation, is printed in Cmd. 2169 (1924), No. 35.

<sup>3</sup> No. 6, Appendix, paragraph 3(6).

M. BRIAND said most certainly. He wanted in the first stage an 'Entente entre deux', and following upon that an 'accord général'. He thought it might be possible in this way to build up a powerful system to stop war.

THE PRIME MINISTER said that it would at any rate be a powerful system to reduce armaments and the financial burdens which they entailed.

M. BRIAND agreed. They wanted something more practical than the League of Nations.

THE PRIME MINISTER agreed.

THE PRIME MINISTER then said that he hoped M. Briand would write to Signor Bonomi at once calling upon him to take the necessary steps to convene the Economic Conference.

After some references to the possibility of Lenin's attending the Conference the conversation ended.

*Carlton Hotel, Cannes, January 8, 1922*

## No. 11

I.C.P. 225A] *British Secretary's Notes of a Conversation between Mr. Lloyd George and Signor Bonomi, held at the Villa Valetta, Cannes, on January 9, 1922, at 10.15 a.m.*

PRESENT: *British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; The Most Hon. The Marquess Curzon of Kedleston, K.G., G.C.S.I., G.C.I.E., Secretary of State for Foreign Affairs; Sir E. Grigg, K.C.V.O., C.M.G.

*Italy*: Signor Bonomi, Prime Minister.

INTERPRETER: Signor Buti.

SIGNOR BONOMI said that he had come to ask about the project of an Anglo-French Alliance of which he had read in the Press. Would Italy be left out?

MR. LLOYD GEORGE showed him the draft of the proposed Anglo-French agreement.<sup>1</sup> He said that it was of course only a guarantee to France against invasion and that it was still under discussion. He explained that M. Briand had been anxious for an Alliance but that we had felt it involved us in responsibilities which the British people would not care to incur.<sup>2</sup> If an Alliance were concluded, it should include Italy and perhaps other Powers, and it would then become too much like Metternich's Holy Alliance.<sup>3</sup> We had therefore confined ourselves to a guarantee. Signor Bonomi would no

<sup>1</sup> Not here printed. The draft agreement as handed to M. Briand by Mr. Lloyd George on January 12 is printed in Cmd. 2169 (1924), no. 38.

<sup>2</sup> See No. 1.

<sup>3</sup> Mr. Lloyd George was presumably referring to the Troppau *Protocole Preliminaire* of November 19, 1820, which was published on December 8, 1820. See *B.F.S.P.*, vol. 8, pp. 1149-51, and C. K. Webster, *The Foreign Policy of Castlereagh* (2 vols., London 1925), vol. ii, pp. 294-311.



doubt however notice that a British resolution adopted by the Conference on Friday contained in its sixth article<sup>4</sup> the basis of a European pact for peace. He hoped Italy would come into a scheme of international co-operation of that kind.

SIGNOR BONOMI said that such a guarantee against aggression conformed with Italian democratic opinion which was averse to military alliances.

MR. LLOYD GEORGE said that he was presenting the French Government with a memorandum<sup>5</sup> on those lines, and would send Signor Bonomi a copy. There was no doubt that France still hankered after a military alliance, but we could not go beyond a guarantee.

The conversation then dealt with certain details of the Economic Conference in Italy.

MR. LLOYD GEORGE suggested that all Powers should communicate to Russia a guarantee of safe conduct and safety for the delegates. Signor Bonomi agreed, and it was decided to raise the matter at the afternoon meeting of the Allied Conference.<sup>6</sup>

MR. LLOYD GEORGE also explained that he had asked M. Briand to write a formal letter to Signor Bonomi, inviting him to take the necessary measures to convene the Conference.

SIGNOR BONOMI concurred, and asked if the officials of the League of Nations might assist Italy in the secretarial work.

MR. LLOYD GEORGE thought this would be undesirable, and on reflection, Signor Bonomi agreed.

SIGNOR BONOMI said that he would like to have a discussion before the end of the Conference on the main items of the agenda to be placed before the Economic Conference.

MR. LLOYD GEORGE agreed.

There was also some discussion on reparations.

SIGNOR BONOMI explained that the French and Belgians were planning to demand 900,000,000 of gold marks from Germany, this year.

MR. LLOYD GEORGE agreed with Signor Bonomi that this was quite impossible, and they agreed to insist that the German representatives should be summoned to Cannes immediately, in order that their views might be heard.

*Carlton Hotel, Cannes, January 9, 1922*

<sup>4</sup> No. 6, Appendix, paragraph 3(6).

<sup>5</sup> Not here printed. This memorandum dated January 9, 1922 (A.J. 323, CAB 29/35) is a third version of that published as No. 34 in Cmd. 2169 (1924). It was handed to the French representatives on the morning of January 10, and was discussed in the afternoon (see No. 17, below).

<sup>6</sup> See No. 14, below.

I.C.P. 225B] *British Secretary's Notes of a Meeting of Allied Finance Ministers held in the Cercle Nautique, Cannes, on Monday, January 9, 1922, at 10.45 a.m.*

**PRESENT:** *Belgium:* M. Theunis, Prime Minister; M. Jaspar, Minister of Foreign Affairs; **SECRETARY:** M. Gutt.

*British Empire:* The Rt. Hon. Sir Robert Horne, G.B.E., K.C., M.P., Chancellor of the Exchequer; The Rt. Hon. Sir L. Worthington-Evans, Bart., M.P., Secretary of State for War; **EXPERTS:** Sir B. P. Blackett, K.C.B., Controller of Finance, Treasury; **SECRETARIES:** Mr. T. St. Quintin Hill, Mr. P. J. Grigg.

*France:* M. Loucheur, Minister of Liberated Regions (*in the Chair*); M. Doumer, Minister of Finance; **SECRETARY:** M. Petsche.

*Italy:* Signor G. de Nava, Minister of the Treasury; Signor G. Raineri, Minister of Redeemed Provinces; **EXPERTS:** Signor Giannini, Inspector-General, Ministry of Commerce.

**INTERPRETER:** M. Mathieu.

1. M. LOUCHEUR stated that he had arranged to have an interview with M. Briand later in the day, and until that interview was over it would not be possible, he thought, to continue the discussion as to the amount of reparations to be demanded from Germany. He suggested that the discussion of this question should be left until after his interview with M. Briand, and meantime the Committee should discuss details.

This was agreed to.

2. It was agreed that the financial experts should assemble at 3 p.m. that afternoon to discuss the question of the price of coal.

3. Some discussion took place as to the meaning of paragraph 10 of the London proposals (A.J. 306),<sup>1</sup> and it was agreed:

*Paragraph 10 of the London proposals.*

That the meeting of finance experts to be held that afternoon should be requested to examine the paragraph and suggest a re-draft with a view to elucidation of the meaning of the paragraph.

4. It was agreed, on the suggestion of M. Theunis—

*Paragraph 7 of the London proposals.*

That Sir Basil Blackett, Signor Giannini, and a Belgian representative should meet at 3 p.m. in order to discuss the division of the sum of 500 million marks, referred to in paragraph 7 of A.J. 306.

5. M. THEUNIS then referred to a suggestion which had been made at a previous meeting by M. Loucheur<sup>2</sup> that the Committee of Guarantees did not work satisfactorily, and he stated that it had been proposed that the Reparation Commission should sit in Berlin.

*Reparation Commission and the Committee of Guarantees.*

<sup>1</sup> Vol. XV, No. 111, Appendix 3.

<sup>2</sup> See No. 7.

M. LOUCHEUR stated that he was opposed to the Reparation Commission going to Berlin. It would be difficult to transport a heavy and complicated machinery to Berlin. He thought that the Committee of Guarantees should sit in Berlin.

M. THEUNIS emphasised the necessity of personal contact with the Germans. Conversations with responsible persons in Germany would increase the stringency of financial control. Moreover, the delays in the payment of reparations in kind would be obviated by means of personal interviews, instead of correspondence.

M. LOUCHEUR pressed for the Committee of Guarantees to be established at Berlin, with full powers over deliveries in kind. If the Committee had sat in Berlin since May, the present situation would not have arisen. He asked that the Committee should go at once to Berlin with very much fuller powers.

M. JASPAR suggested that the Reparation Commission and the Committee of Guarantees should both be centralised in Berlin. If, however, only the Committee of Guarantees were established in Berlin, it should be authorised to communicate direct with the Governments concerned, and not through the Reparation Commission.

SIR ROBERT HORNE supported M. Jaspar's views as to the merging of the Reparation Commission and the Committee of Guarantees, and added that both these bodies should, when merged, sit in Berlin. He agreed with M. Theunis's remarks as to the importance of establishing personal relations between the German Government and the Reparations Commission. At the present time the German Government found itself in correspondence with the Committee of Guarantees and the Reparation Commission at the same time on the same matters. It, therefore, did not know what its position was.

M. DOUMER disagreed with these views, and maintained that the Committee of Guarantees only should be sent to Berlin.

SIGNOR DE NAVA stated that perhaps from a technical point of view, M. Jaspar's suggestion was the better one, but the whole question was a political one, and should be left for settlement by the Prime Ministers of the allied nations.

M. LOUCHEUR repeated his opinion that the Reparation Commission should remain at Paris, and that the Committee of Guarantees only should go to Berlin. He referred to jealousies which he believed existed between these two bodies, and stated that if the Reparation Commission had played fair from the beginning, it would have been better. He begged that the discussion should be continued by the Finance Ministers, and that the matter should not be referred to the Prime Ministers. The Committee of Guarantees, he thought, should have the powers mentioned in Article 7 of the schedule of payments,<sup>3</sup> and its powers should be strongly reinforced.

M. DOUMER referred to difficulties which the Reparation Commission would find if it were established as a policeman in Berlin. It would be subject to the rumours of the street and would be in an awkward position.

<sup>3</sup> See No. 7, n. 7.

SIR ROBERT HORNE stated that if the Committee of Guarantees were merely the delegates of the Reparation Commission as they were at present, they would have no force. On the other hand, if they were independent of the Reparation Commission there would be constant strife between the two Bodies. In his view the Reparation Commission and the Committee of Guarantees must be one and the same thing, and must sit in Berlin. He did not see why they should be influenced by street rumours any more than the Embassies. He felt that the time had come to recommend to the Supreme Council (1) that the Reparation Commission and the Committee of Guarantees should be merged; and (2) that the seat of both should be in Berlin.

M. DOUMER stated that this would be contrary to the Treaty of Peace and referred to the terms of the Treaty of Peace.

M. LOUCHEUR then read Section 5 of Annex II to Part VIII of the Treaty of Peace, which states that the Reparation Commission shall have its principal permanent Bureau in Paris. France asked definitely that the Reparation Commission should remain in Paris and that a re-organised Committee of Guarantees with new members and increased powers should be established in Berlin. He did not think that the position of the Reparation Commission was comparable to that of Ambassadors. The Reparation Commission would have to be the policeman of the Allies.

SIR ROBERT HORNE stated that he did not desire to press his view further in view of the opposition of the French Ministers, although he was convinced as to the expediency of the change. He thought that the Allies would regret not having made it. There would be a very great difficulty in defining the line of demarcation between the Committee of Guarantees and the Reparation Commission. If it was agreed that the Committee of Guarantees should sit in Berlin, the only thing remaining to do was to define the Committee's powers. He was certain that undue interference with the operations of the Germans would not be of advantage to the Allies. There were many ways by which control could be evaded if the Allies aroused the hostility of the Germans. The only practicable way of dealing with the situation was to obtain German co-operation, and this would not be done in the case of a proud people like the Germans if every action of theirs was liable to control. He wanted as little control and as much good-will as possible. He therefore suggested that the Allies should consult with the Germans and should not present them with a series of decisions which would be in the nature of ultimata. The Allies must be in a position to modify their own views after discussion with the Germans. He thought that the London proposals were as good a basis as could be put forward for discussion except that as regards the Reichsbank; while he agreed it must be autonomous, he thought the  
*Control of* putting in of a controller would result in very bad Banking.  
*Reichsbank.* He thought it necessary to place on the Germans the duty of saying what they could do to meet the Allies' wishes. It would be even more impossible for the Germans than it was for finance Ministers of other European countries to promise definitely to balance their Budget by such and such a date. He therefore suggested that Paragraph (1) of Section B of the

Annex to the London Proposals (A.J. 306)<sup>1</sup> should be altered by the deletion of the words 'and the nomination . . . to the German Government'. He did not intend that the discussions with the Germans should be of the same character as Inter-Allied discussions. The Allies would have a spokesman and would indicate their point of view. They would never, however, allow any points of difference between themselves to appear and would leave the room in order to discuss apart, if such points arose. If his suggestion as to the deletion of the words relating to the control of the Reichsbank were adopted, Section E of the Annex (to A.J. 306)<sup>1</sup> would disappear as a consequence.

M. LOUCHEUR stated that there were two proposals made by Sir Robert Horne: (1) to take as a basis of discussion the London proposals. This he thought might be adopted subject to his immediately following remarks. (2) Sir Robert Horne said that we must not make an ultimatum to Germany. He agreed that it would be necessary to consult the Germans on certain points, and that after such consultation it might be necessary to alter some of the Allies' decisions. It was necessary, however, to reach an agreement in principle between the Allies before holding a discussion with the Germans. He thought, personally, that control of the Reichsbank would be very useful. Control was necessary over a debtor who would not pay, and he thought that the Germans themselves might not object. This was a point which he suggested should be discussed with the Germans.

SIGNOR DE NAVA accepted as a basis of discussion the London proposals, but he desired to make reservations as to the paragraph relating to the price of coal, and as to the paragraph relating to the Reichsbank. The experts would discuss the former question this afternoon.

M. DOUMER stated that all present agreed to accept the London proposals as a basis for discussion. As regards the control of the Reichsbank, he did not think this would be humiliating to the Germans as they would appoint the Controller.

SIR ROBERT HORNE expressed the view that the control of the Reichsbank would be an impediment. He suggested that the Germans should be asked to suggest a way of putting the Reichsbank in a position of autonomy, as he strongly held the view that the Reichsbank should be autonomous.

M. LOUCHEUR was strongly against the deletion of the words suggested by Sir Robert Horne from Paragraph I of Section B of the Annex to the London proposals (A.J. 306).<sup>1</sup>

SIR ROBERT HORNE stated that he was very reluctant to leave these words in. He thought that the Allies should put forward the suggestion to the Germans that the Reichsbank should be made autonomous. If the Germans did not reply with a proper and efficient scheme, it would be for the Allies to propose the nomination of a technical adviser to the Reichsbank, but he thought that the Allies should not begin by proposing the appointment of a technical adviser.

M. LOUCHEUR stated that he was willing that the procedure proposed by Sir Robert Horne should be adopted in the discussions with the Germans.

It was agreed that in the discussions with the Germans the appointment

of a technical adviser to the Reichsbank should not be demanded at the outset, but that this proposal should be held in reserve in case the Germans did not make adequate proposals for the autonomy of the Reichsbank.

6. SIR ROBERT HORNE suggested that the Committee of Guarantees should be substituted for the Reparation Commission in Section C of the annex.

M. LOUCHEUR agreed to this.

7. M. THEUNIS suggested that in order to reduce expense, part of the Secretariat of the Reparation Commission should be established in Berlin, and that the information bureau of the Commission and the S.O.R.K.<sup>4</sup> should also be established in Berlin.

*Scheme by  
Reparation  
Commission.*

SIR ROBERT HORNE suggested that the members of the Reparation Commission who were at Cannes should be invited to propose a plan for the establishment of the Committee of Guarantees in Berlin and for co-operation between the Reparation Commission and the Committee.

It was agreed that Sir Robert Horne's suggestion should be adopted, and that the Finance Ministers should inform accordingly the representatives of the various countries on the Reparation Commission.

8. SIR ROBERT HORNE proposed that as the Chairman of the Reparation Commission was French, the Chairman of the Committee of Guarantees should be chosen from among the other Allies.

*Chairmanship of  
Committee of  
Guarantees.* M. LOUCHEUR stated that France must ask for a Frenchman to be Chairman of the Committee of Guarantees. France was interested in reparations to the extent of 52 per cent, and further, the fact that the Chairman of the Reparation Commission was a Frenchman constituted a reason for the Chairmanship of the Committee of Guarantees being in French hands. It was understood at the time of the establishment of the Committee of Guarantees<sup>5</sup> that the Chairman would be a Frenchman.

SIR ROBERT HORNE stated that he did not understand M. Loucheur's point of view. He thought that the request for a French Chairman of the Committee of Guarantees was quite indefensible.

M. DOUMER stated that in his opinion the Committee of Guarantees should have a Frenchman as Chairman since the Committee would have to face the Germans, and a Frenchman would be more likely to do this vigorously.

SIR ROBERT HORNE expressed great surprise at this statement which implied distrust of the other Allies.

M. DOUMER then gave an explanation of his statement.

SIR ROBERT HORNE stated that M. Doumer's explanation made it perfectly plain that France did not trust the other nations. He suggested, however, that in view of the very strong French opposition to his proposal, the Committee of Guarantees should choose their own Chairman.

M. LOUCHEUR emphatically opposed this suggestion. France was interested in reparations to the extent of 52 per cent, and it had always been agreed

<sup>4</sup> More usually known as S.R.R.K. (Services of Restitutions and Reparations in Kind).

<sup>5</sup> See Vol. XV, No. 81.

that the President of the Reparation Commission should be a Frenchman. He asked that the principle admitted in 1919 should be adhered to now.

SIR ROBERT HORNE stated that it was impossible for him to agree to this. It would be necessary for him to refer the question to the Supreme Council. He would be glad to learn the views of the other Finance Ministers present.

SIGNOR DE NAVA stated that as the Committee of Guarantees would be independent of the Reparation Commission, in his opinion a more indulgent person than the Chairman of the Reparation Commission should be in Berlin.

M. LOUCHEUR again insisted upon France's interest in reparations. The present Chairman of the Committee of Guarantees was a Frenchman,<sup>6</sup> and there had been no suggestion that he had not carried out his duties properly. He was very surprised that the question should even have been raised. France had made a great concession in admitting that reparations might be discussed with the Germans, and could go no further.

No agreement was reached on this point, and the meeting then adjourned until the afternoon at 4 p.m.

*Cannes, January 9, 1922*

<sup>6</sup> Monsieur Mauclère.

### No. 13

I.C.P. 226] *British Secretary's Notes of a Meeting of the Allied Commission on Genoa Conference, held at the Cercle Nautique, Cannes, on Monday, January 9, 1922, at 3.15 p.m.*

PRESENT: *Belgium*: REPARATION COMMISSION: M. Delacroix.

*British Empire*: The Rt. Hon. Sir R. Horne, G.B.E., K.C., M.P.,  
The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P.;  
EXPERTS: Sir R. M. Kindersley, Sir Allan Smith, Mr. E. F. Wise; SECRETARIES: Mr. T. Jones, Major Caccia.

*France*: M. Loucheur (*in the Chair*); EXPERTS: M. Seydoux, M. Avenol, M. de Felcourt; SECRETARY: M. Bressy.

*Italy*: Signor Raineri; EXPERT: Signor Pirelli.

*Japan*: M. Matsuda;<sup>1</sup> REPARATION COMMISSION: M. Sekiba.

INTERPRETER: M. Mathieu.

#### *Organisation of International Corporation.*

1. M. LOUCHEUR having declared the meeting open, called upon Sir L. Worthington-Evans to make a statement.

SIR L. WORTHINGTON-EVANS said that since the last meeting<sup>2</sup> the committee had had an opportunity of considering the question of the capitalisation of the central corporation. Two main plans existed. The first plan consisted in the creation of a single sterling corporation registered in Great Britain.

<sup>1</sup> M. Michikaza Matsuda, Counsellor of the Japanese Embassy in Paris.

<sup>2</sup> See No. 8.

To this scheme two modifications had been proposed, namely, a sterling corporation with French shares and a sterling corporation with guaranteed exchange for francs, lire, Belgian francs and any other currencies that might come into the society.

Under the second main plan there would be a central international corporation with national affiliated companies. The central corporation would be registered in England with a small capital of £2,000,000, this capital being subscribed to in definite proportions by the national affiliated companies, who would bear any risk of exchange loss in connection with the sums thus subscribed in the event of the currencies rising in value as compared with sterling, but the amount of risk thus involved would be insignificant. In regard to the national affiliated companies, each country concerned would undertake to form a company with the capital equivalent of a sterling amount to be agreed upon, but the capital of the affiliated companies would be in the currency of the country concerned.

He (Sir L. Worthington-Evans) had thought that the first plan without any modifications would have presented a better exhibition of co-operation amongst nations. But as soon as modifications came to be introduced it at once failed in its main object of having the appearance of co-operation. In consequence he now felt prepared to accept the second main plan, which he understood would be more agreeable to the French, Belgian and Italian representatives. He would, therefore, be prepared to proceed on the basis of a £2,000,000 sterling central corporation registered in England, with affiliated companies registered in each participating country. There would be no maximum limit of the amount of capital to be raised by the affiliated companies, but there must be a minimum. Similarly, no conditions would be laid down in regard to the activities of the affiliated companies, except that they would only be permitted to do business through the central corporation. The affiliated companies could call up capital as they pleased, provided they first subscribed the necessary capital for participation in the central corporation. In his opinion that scheme gave greater liberty to co-operate, but it did not give the same appearance of solidarity. However, taking into account the views of the Allied representatives, he proposed the acceptance of that solution. He would merely add that each affiliated company would be represented on the board of the central corporation approximately in proportion to the number of shares subscribed. Furthermore, all decisions taken by the central corporation would be binding on the affiliated companies.

SIGNOR RAINERI expressed his approval of the scheme proposed by Sir L. Worthington-Evans. In his opinion that scheme greatly reduced the exchange risks.

M. SEKIBA and M. DELACROIX also expressed their adherence to this proposal.

M. LOUCHEUR said that he, too, would be willing to agree to the proposal in question. He wished to add, so far as taxes were concerned, that it would be a good thing, in order to avoid reduplication of taxes, to adopt the principle that English law will be applied. He enquired whether any draft of



the scheme had been drawn up. The meeting appeared to be agreed in principle, but it would be preferable to have something definite on paper, so that the details of the scheme could be carefully studied. In particular he drew special attention to the following questions: (1) The affiliated Societies should carry out no business on their own initiative; (2) Control of these Societies by the Central Syndicate; (3) Co-operation between the different organisations.

SIR L. WORTHINGTON-EVANS said that he would prepare and circulate a paper on the lines suggested.<sup>3</sup> He would merely add that the affiliated companies should be required to raise sufficient capital to pay their share of the subscription to the central corporation and something over. He had thought that the total sum to be raised by all the affiliated companies should amount to approximately £20,000,000, and as a minimum each affiliated company should be able to pay 10 per cent. of the capital so raised to the central syndicate and retain 90 per cent. for their own use. The whole of this capital need not be paid up at once, but the whole must be subscribed. He would circulate tomorrow a paper giving the details of the agreement reached, and he would report the progress made to the Supreme Council that afternoon.

There remained one more question to be considered. He thought that the so-called Société des Études should forthwith be set up. In regard to its composition, it had been proposed in Paris<sup>4</sup> to have purely a Franco-British committee. But, in view of the proposals now accepted whereby affiliated companies would be set up in each principal Allied country, he thought that the Italians and Belgians should also be asked to appoint one representative to join the Société des Études. It would be possible then to proceed at once to fix the share of the capital to be attributed to each of the affiliated companies.

M. LOUCHEUR drew attention to the fact that the small Franco-British committee suggested in Paris, and the Société des Études constituted two perfectly different bodies. In his opinion the committee must remain Franco-British. Its duty would be to take the initiative in the creation of the Société des Études, and to hold preliminary discussions independently with the Italian and Belgian representatives in order to arrive at some decision in regard to the allotment of the capital, and similar questions. As soon as these preliminary details had been settled he agreed that the société should be set up with representatives of each of the Allied countries concerned.

SIR L. WORTHINGTON-EVANS maintained the view that it would be better forthwith to appoint an inter-Allied committee to collaborate in settling the proportion of the capital to be attributed to each affiliated society. Under the scheme for a single sterling central corporation, the capital required could have been made up from subscriptions collected in neutral countries, such as Holland and Sweden. But under the present scheme whereby each affiliated company would be required to have its own capital, it became essential to have the co-operation of every participating country.

<sup>3</sup> See No. 16, Appendix 2, below.

<sup>4</sup> Cf. Vol. XV, No. 115, minute 2.

M. DELACROIX pointed out that the question of the repartition of the capital would undoubtedly play an important part in the creation of the syndicate, and, if the French and British worked alone, without the co-operation of the other Allied representatives concerned, they might contribute to certain countries shares which might be too large or too small. It would be advisable, therefore, to arrive at a common agreement on this point with the least possible delay.

SIGNOR RAINERI urged the necessity of solving at once the problem of the re-partition of the capital. Should it be found impossible for the experts to arrive at an agreement on this point, the question would have to be referred to the Supreme Council as the final arbiter. This question, therefore, should be solved before the Supreme Council broke up.

M. LOUCHEUR thought that some misunderstanding appeared to exist in the mind of Signor Raineri. The establishment of the corporation did not constitute a Government question. The corporation represented a purely private undertaking. The Governments would pay nothing. There would be no Government control, consequently the Supreme Council would not be required to take any decision in the matter. Further, his point of view appeared to have been misunderstood. He did not mean to suggest that the organisation of the corporation should not be settled in common, but there were a number of private matters which required to be discussed by the French and British representatives, who were the originators of the whole scheme before the Société des Études, whose duty it would be to work out the details of the corporation, could be set up.

SIR L. WORTHINGTON-EVANS agreed with M. Loucheur that theoretically the organisation of the corporation did not directly concern the Supreme Council. But, as a matter of fact, political questions were undoubtedly involved, and it would be impossible therefore to ignore the authority of the Supreme Council. But he would ask, 'why contemplate disagreement?' The meeting had that afternoon made an enormous step towards agreement. In Paris he had strenuously fought for the creation of a single central corporation on a sterling basis.<sup>5</sup> To-day he had abandoned his previous standpoint in order to obtain an agreed scheme. He would, therefore, ask M. Loucheur similarly to agree that representatives of all the Allied countries concerned should be included in the small committee to be set up to discuss the constitution of the corporation.

M. LOUCHEUR expressed his readiness to accept Sir L. Worthington-Evans's proposal. He asked, however, that the English and French representatives should, in the first place, discuss the question of the repartition of the capital separately with the Italian and Belgian representatives. He was anxious that an agreement should be reached on that matter, before the question came to be discussed by a large committee.

SIR L. WORTHINGTON-EVANS, intervening, pointed out that the committee proposed would consist only of four or five members—one representative from each of the Allied countries concerned.

<sup>5</sup> See Vol. XV, No. 115 minute 5, and No. 116 minute 2.

M. LOUCHEUR replied that under those circumstances he would unconditionally accept Sir L. Worthington-Evans's proposals. It was agreed to appoint a committee to consist of the following representatives, namely: M. Theunis (Belgium), Sir Robert Horne (British Empire), M. Loucheur (France), Signor Raineri (Italy), to be nominated (Japan), to discuss the constitution of the international association on the lines set forth in the memorandum to be circulated by Sir L. Worthington-Evans. The committee to meet tomorrow, the 10th January, 1922.

## 2. *Genoa Conference.*

M. LOUCHEUR suggested that the meeting should next consider the subjects to be discussed at the Genoa conference. He thought it would be very necessary to prepare a list of all the economic and financial questions which might reasonably come under discussion. He wished to propose, therefore, that a small committee consisting of five persons—one representative from each country—should be appointed to draft an agenda.

SIR L. WORTHINGTON-EVANS agreed to M. Loucheur's proposals. There remained, however, other questions to be considered in connection therewith. He understood that Signor Bonomi had already been asked at once to issue the necessary invitations to the conference, since the latter would be held on Italian soil. There remained the question of the appointment of a secretariat. It would be agreed that the success of the conference would largely depend on the work of the secretariat. He inclined to the idea that this work might be entrusted to the secretariat of the League of Nations.

M. LOUCHEUR said that the French representative would very willingly confide this duty to the secretariat of the League of Nations. But, in regard to the question of summoning the conference, he would respectfully ask that Signor Bonomi should consult M. Briand before any action were taken in the matter. In any case it would be wise not to act with precipitation and in particular not to issue an invitation to Russia until it were known what answer she intended to give.

SIGNOR PIRELLI, intervening, said that the British representatives did not appear to hold that view.

M. LOUCHEUR, continuing, said that the question was of great political importance. No precipitation should therefore be taken. The Committee, which he had proposed, should confine itself to preparing an agenda paper and studying the organisation of the Secretariat.

SIR L. WORTHINGTON-EVANS said that the question of the issue of invitations had already been discussed between Mr. Lloyd George and M. Briand.<sup>6</sup> He understood that M. Briand would request Signor Bonomi to issue invitations.

In regard to the small committee, and the co-operation of the League of Nations, he thought that a communication should forthwith be sent to the secretary of the League of Nations asking him to send representatives here to confer with the small committee. He understood that certain members of

<sup>6</sup> See Nos. 3 and 10.

the League of Nations' secretariat—MM. Salter,<sup>7</sup> Monnet,<sup>8</sup> and Attolico<sup>9</sup>—were actually in Cannes.

SIGNOR RAINERI thought that the question of inviting the League of Nations to take part in this conference might adversely influence the participation of the United States in the conference.

SIR ROBERT KINDERSLEY pointed out that the conference would be summoned by the Supreme Council. The League of Nations were merely to be asked to place their secretariat at the disposal of the Supreme Council as a mechanism.

SIGNOR PIRELLI said that under those conditions the Italian representatives would accept the proposal, provided it were clearly understood that the secretary of the conference would be appointed by the Supreme Council. But the fact that use would be made of the machinery of the League of Nations should be kept as quiet as possible.

M. MATSUDA drew attention to the fact that the League of Nations' Council would meet in Geneva to-morrow.

SIR L. WORTHINGTON-EVANS explained that the meeting of the League of Nations' Council would not affect the question under consideration. He would propose, therefore, that a committee of five members, including one representative from each of the Allied countries, should be appointed for the purpose of drawing up an agenda, and making all the necessary arrangements for the conference to be held at Genoa in March: the committee to confer with representatives of the secretariat of the League of Nations in regard to these matters.

(This was agreed to.)

SIR L. WORTHINGTON-EVANS, continuing, said that under the circumstances he would report the conclusion reached to the Supreme Council at the meeting to be held at 5 o'clock that evening.<sup>10</sup>

(This was agreed to.)

(*The meeting adjourned at 5.15 p.m.*)

*Carlton Hotel, Cannes, January 9, 1922*

<sup>7</sup> Mr. J. A. Salter, a former Director of the Economic and Financial Section of the League of Nations' Secretariat, General Secretary of the Reparation Commission from January 1920.

<sup>8</sup> M. Jean Monnet, a member of the League of Nations' Secretariat.

<sup>9</sup> Professor B. Attolico, Chairman of the Salaries Adjustment Committee of the League of Nations.

<sup>10</sup> The meeting was held at 7 p.m. (see No. 14, below).

## No. 14

I.C.P. 227] *British Secretary's Notes of an Allied Conference held at the Cercle Nautique, Cannes, on January 9, 1922, at 7 p.m.*

PRESENT: *America*: The Hon. Myron T. Herrick;<sup>1</sup> SECRETARY: Mr. le Clercq.  
*Belgium*: M. Theunis, Prime Minister; M. Jaspar, Minister for Foreign Affairs; REPARATION COMMISSION: M. Delacroix;  
SECRETARIES: Viscount Davignon, M. Gutt.

<sup>1</sup> American Ambassador in Paris.

*British Empire:* The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; The Rt. Hon. Sir R. Horne, G.B.E., K.C., M.P., Chancellor of the Exchequer; The Most Hon. the Marquess Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; The Rt. Hon. Sir L. Worthington-Evans, Bt., M.P., Secretary of State for War; **EXPERT:** Sir B. Blackett; **REPARATION COMMISSION:** Sir J. Bradbury; **SECRETARIES:** Mr. Jones, Mr. St. Quentin Hill.

*France:* M. Briand, President of the Council (*in the Chair*); M. Loucheur, Minister for the Liberated Regions; **EXPERTS:** M. Laroche, M. Seydoux, M. Avenol, M. de Felcourt; **REPARATION COMMISSION:** M. Aron; **SECRETARIES:** M. Massigli, M. Bressy.

*Italy:* Signor Bonomi, Prime Minister; Marquis della Torretta, Minister for Foreign Affairs; Signor de Nava, Minister of the Treasury; Signor Raineri, Minister of Redeemed Provinces; **EXPERTS:** Signor d'Amelio, Signor Barone, Signor Rossini, Signor Giannini, Signor Giarrocca; **SECRETARIES:** Signor Brambilla, Signor Buti, Signor Rocco.

*Japan:* Baron Hayashi, Ambassador in London; Viscount Ishii, Ambassador in Paris; **EXPERT:** M. Sekiba; **SECRETARIES:** M. Matsuda, M. Tokugawa, M. Kato.

**INTERPRETER:** M. Matheiu.

### 1. *Colonel Harvey's Accident.*

M. BRIAND, in opening the session, said that he was sure that he expressed the opinion of all the delegates in expressing the sympathy of the conference with Colonel Harvey, who had had an accident. He hoped that Colonel Harvey would make a speedy recovery. Mr. Herrick would take his place in the meantime at the conference, and he desired to extend a welcome to Mr. Herrick.

### 2. *Telegram from the Soviet Government.*

M. BRIAND, continuing, said that the subject for consideration to-night was the forthcoming International Economic Conference. He referred to a telegram, which was read to the conference, from the Soviet Government, expressing the willingness of that Government to participate in the Economic Conference. (This document is reproduced as an appendix to these minutes.)

### 3. *Economic Conference.*

M. LOUCHEUR stated that at a private meeting of the Finance Ministers which had been held that day,<sup>2</sup> it had been decided that each delegation should nominate a member to serve on a small committee which would decide the agenda for the Economic Conference. As regards the actual summoning of the conference, this would no doubt be done by Signor Bonomi. It had also been suggested that another committee should be

<sup>2</sup> See No. 13.

appointed to prepare a letter of invitation to the Soviet Government. A draft of this letter could be considered at the meeting of the Allied Conference which would be held tomorrow. It had been suggested that the secretary of the League of Nations should be asked to convoke the Economic Conference, but this suggestion had not been adopted in view of certain objections to it.

MR. LLOYD GEORGE said that the arrangements for the Economic Conference must obviously be in the hands of the Government of the country in which the conference was held. This was the usual and only effective arrangement. But he could quite see that there might be special circumstances which would make it necessary to consider immediately the form of the letter of invitation and the agenda of the conference. After these had been agreed on, he presumed that all arrangements would be left in the hands of the Italian Government. It would be impossible for the committee referred to by M. Loucheur to carry out these arrangements. He gathered that M. Loucheur's proposal was that this committee should report on the form of invitation and on the agenda of the conference. He agreed to this, but he assumed that afterwards the rest of the arrangements must be left to the Italian Government.

MARQUIS DELLA TORRETTA said that the Italian Government would assume responsibility for the conference, and as the conference would take place on Italian soil the Italian Government would make all the necessary arrangements for the constitution of a secretariat.

The conference agreed—

- (1.) To the proposal made by Mr. Lloyd George that after the agenda of the conference and the form of invitation to it had been settled by the proposed committee, all arrangements in connection with the forthcoming Economic Conference should be left in the hands of the Italian Government.
- (2.) That the following committee should meet the next day at 10.30 a.m. in the Cercle Nautique to settle the agenda of the conference and the form of invitation to it:—

M. Delacroix.

Sir Robert Horne.

M. Loucheur.

Marquis della Torretta.

Baron Hayashi.

#### 4. *Proposed International Corporation.*

With reference to I.C.P. 224<sup>3</sup> (Conclusion 1), M. LOUCHEUR stated that the question of the proposed International Corporation had been considered to-day by the Finance Ministers, and it had been decided to reverse the decision which had been taken at Paris (see I.C.P. 218,<sup>4</sup> Conclusion 3) and to invite representatives of Belgium, Italy and Japan to participate in the work of the small committee which would make preliminary investigation

<sup>3</sup> No. 8.

<sup>4</sup> Vol. XV, No. 115.

in regard to the scheme. This should be established immediately, and would receive a sum of £10,000 for expenses of investigation. He would be grateful if Sir L. Worthington-Evans could explain the present scheme.

SIR L. WORTHINGTON-EVANS stated that there had been two plans. (1.) A plan for a syndicate with £20 millions in capital. This original plan had been modified by the proposal that there should be franc shares as well as sterling shares, and again by the proposal that a guarantee should be given for other currencies. The position had become so complicated that this first plan had been abandoned. (2.) A second plan had been elaborated and was now accepted. It involved the establishment of a Central Corporation in London with a capital of £2 million. This corporation would possess supporting companies in other countries with their capital in the currencies of those countries. The French Corporation would possess a capital of at least 200 million francs. The Italian Corporation would hold its capital in lire, but all the companies were bound to co-operate with the Central Corporation to which they would subscribe and on the board of which they would have directors. The capital of the corporation would still be equal to £20 million, but the alterations proposed were considered to be better, as a matter of machinery. The scheme would be put on paper to-night and a memorandum<sup>5</sup> would be circulated in time for the meeting of the Allied Conference at 5 p.m. tomorrow. He suggested that the plan should be considered at a meeting of Finance Ministers tomorrow afternoon.

The conference agreed—

That the following should be requested to hold a meeting at 4 p.m. on the following day to consider the plan for the establishment of the proposed corporation—

M. Theunis.

Sir L. Worthington-Evans.

M. Loucheur.

H. E. Giovanni Raineri.

M. Sekiba.

##### 5. *Arrival of German Delegates at Paris.*

With reference to I.C.P. 225<sup>6</sup> (Conclusion 1), M. BRIAND reported that the German delegates had been appointed and would arrive at Paris tomorrow at noon. In order to save time he could send on a telegram to them asking them to come immediately to Cannes in order to furnish explanations in regard to any resolutions which the Allied Conference might have adopted.

The conference agreed—

To approve the proposal made by M. Briand.

*(The conference adjourned at 7.45 p.m.)*

*Carlton Hotel, Cannes, January 9, 1922*

<sup>5</sup> See No. 16, Appendix 2, below.

<sup>6</sup> No. 9.

## APPENDIX

(Télégraphique.)

Conseil suprême, Cannes.

Riga, le 8 janvier, à 23 h. 40

GOUVERNEMENT russe accepte avec satisfaction invitation à Conférence européenne convoquée pour mars prochain. Une session extraordinaire du Comité exécutif central procédera au choix de la délégation russe et lui conférera les pouvoirs les plus étendus. Si même le Président du Conseil des Commissaires du Peuple, Lenine, était empêché par ses multiples travaux, surtout en vue de la famine, de quitter la Russie, en tout cas la composition de la délégation ainsi que l'étendue de ses droits la revêtiront de la même autorité que si citoyen Lénine participait. Rien n'entravera donc en aucun cas de ma part de la Russie la marche rapide de la conférence.<sup>7</sup>—TCHITCHERINE.<sup>8</sup>

<sup>7</sup> An English text of this telegram is given in Degras, pp. 287-8. An English translation was transmitted to Lord Curzon in Foreign Office telegram No. 1 (Cannes series) of January 9, 1922. Shortly after the despatch of this telegram, the Foreign Office, in telegram No. 2 of January 9, 1922 sent the following to Lord Curzon: 'My immediately preceding telegram. According to communication received from No. 10 Downing Street, Krassin has received further message from Moscow suggesting that Genoa is too far as place of meeting. Moscow would prefer London. Krassin's opinion is that Lenin's personal participation in conference would be far more certain if London were agreed upon as meeting place, since it would entail for Lenin far shorter period of absence from Russia, where his presence is urgently required, particularly in connection with famine and spring seed campaign.'

<sup>8</sup> People's Commissar for Foreign Affairs.

### No. 15

I.C.P. 228] *British Secretary's Notes of a Meeting of the Allied Committee to Arrange Details of the Genoa Conference, held at the Cercle Nautique, Cannes, on Tuesday, January 10, 1922, at 11 a.m.*

PRESENT: *Belgium*: M. Jaspar; EXPERT: M. Delacroix; SECRETARY: Vicomte Davignon.

*British Empire*: The Rt. Hon. Sir R. Horne, G.B.E., K.C., M.P.;

EXPERTS: Sir B. P. Blackett, Mr. S. D. Waley, Mr. P. J. Grigg;

SECRETARIES: Mr. T. Jones, Major Caccia.

*France*: M. Loucheur (*in the Chair*); EXPERTS: M. Laroche, M.

Fromageot, M. Avenol, M. Tannery, M. Petsche; SECRETARY: M. Massigli.

*Italy*: Marquis della Torretta; EXPERTS: Signor Jung, Signor Bussetti; SECRETARY: Signor Rocco.

*Japan*: Baron Hayashi; SECRETARY: M. Kato.

INTERPRETER: M. Mathieu.

#### *Letters of Invitation to Genoa Conference.*

I. M. LOUCHEUR said that the Supreme Council had decided that M. Briand, the president of the Cannes conference, should issue a letter to Signor Bonomi asking the latter to convoke the Genoa conference. At the



same time, this committee had been requested to submit for the consideration of the Supreme Council a draft of the letter of invitation to be issued by Signor Bonomi.<sup>1</sup>

SIR ROBERT HORNE said that he had prepared a copy of the letter of invitation which he thought should be issued to Russia. His draft read as follows :—

‘On behalf of the Supreme Council of the Allied Powers, I have the honour to transmit to your Government a copy of a resolution moved by Mr. Lloyd George,<sup>2</sup> and passed by the Allied Powers in Conference at Cannes, on the 6th January, 1922.

‘In accordance with this resolution and with reference to M. Chicherin’s telegram dated the 8th January, 1922,<sup>3</sup> I hereby formally invite your Government to appoint two delegates to attend an economic conference to be opened at Genoa early in March 1922.

‘The Supreme Council has invited all the Powers through whose territory your delegates and their staffs will pass in order to reach Genoa to grant you protection, assistance and facilities, and, if necessary, safe conduct. On receiving your acceptance of this invitation and the route you propose to travel I shall communicate with the interested Governments, and inform you of the arrangements made.

‘The conference learn with satisfaction that the Russian Government proposes to send representatives with full powers to take decisions in view of the importance of the assurance and guarantees which they regard as indispensable to the useful co-operation of the Allied Powers with Russia in the task of European reconstruction.’

M. LOUCHEUR expressed the view that the exact terms to be employed in the letter of invitation required very careful consideration. In his opinion, he thought that [*sic*] the adherence of the Soviet Government to the assurances and guarantees required by the Allied Powers should be stated in unmistakable terms. In other words, the paragraph referring to this matter in Sir Robert Horne’s draft required to be strengthened.

SIR ROBERT HORNE thought that it would be dangerous to proceed further on the lines suggested by M. Loucheur. The Genoa conference would be held only on the conditions mentioned in the resolution of the Allied Powers. In his opinion, in addressing the Russian Government it would be very unwise to rub these conditions in further.

M. LOUCHEUR replied that the idea of the French Government had been that, before the Russian Government could participate in the Genoa Conference, it should previously have accepted completely the conditions set forth in the Resolution of January 6th.<sup>4</sup> Put in this way the French thesis might be found to be a little too categorical, but it was essential that account should be taken of it and attention paid equally to the point of view of French public opinion. It was not only Russian opinion that should be considered.

<sup>1</sup> See No. 14.

<sup>2</sup> No. 6, Appendix.

<sup>3</sup> No. 14, Appendix.

<sup>4</sup> No. 6, Appendix.

M. Loucheur then communicated to Sir Robert Horne the following version of the last paragraph which had been prepared by the French delegation and which agreed better with its views:

‘The Supreme Council has noted with satisfaction the telegram of the 8th January, from which it follows that the Russian Government, agreeing to the object, the fundamental principles, and the conditions of the Conference proposed by the Resolution of January 6th, is prepared to participate in that Conference.’

SIR ROBERT HORNE informed M. Loucheur that he could not accept this text.

M. LOUCHEUR then proposed the following version:—

‘The Supreme Council, in view of the importance which it attaches to the assurances and guarantees which it has laid down as indispensable to the useful co-operation of the Allied Powers with Russia, in the task of European reconstruction, learn with satisfaction that the Russian Government proposes to send representatives with full powers to take decisions.’

(This was agreed to on the understanding that the paragraph would be omitted in the invitations to be sent to all other Powers.)

M. Loucheur, continuing, suggested that Sir Robert Horne’s draft should now be considered paragraph by paragraph.

#### *Paragraph 1.*

In regard to this, he proposed that the fact that the resolution had been moved by Mr. Lloyd George should be omitted in accordance with the rule, invariably followed by the Supreme Council, that the name of the mover, of the supporters and of the opponents of resolutions should not be mentioned.

M. Loucheur asked if the Italian Government was definitely prepared to convoke the Conference at Genoa?

MARCHESE DELLA TORRETTA replied in the affirmative, but remarked that the date, March 1st, seemed to him too definite, and it would be preferable to say only ‘at the beginning of March’.

(This was agreed to.)

[M. LOUCHEUR] enquired whether it would be wise to address the letter to the Russian Government. Did not this, in diplomatic language, imply the recognition of that Government? He would suggest that the letter be addressed to M. Chicherin, in which case the first paragraph would read:

‘I have the honour to transmit to you;’ and the second paragraph would read: ‘I hereby formally invite two delegates from Russia.’

He also thought it would be better to say, at the end of the second paragraph, that the conference would be opened at Genoa ‘early in March 1922,’ without specifying a definite date.

(After further discussion the first two paragraphs of the draft letter were agreed to, as amended. See Appendix I.)<sup>5</sup>

<sup>5</sup> Not printed. For the text as amended on January 10, see No. 19, Appendix I, below.

*Paragraph 3.*

M. Loucheur enquired whether the committee did not think that the words 'to grant you protection, assistance and facilities, and if necessary, safe conduct' went somewhat beyond the necessities of the case. In his opinion it would be sufficient to say, 'in order to afford you all necessary facilities and safe conduct'.

SIGNOR JUNG thought that it would be necessary to add a sentence asking the countries invited to communicate without delay the names of the delegates and their staffs.

After some further discussion it was agreed, on Sir Robert Horne's suggestion, to amend paragraph 3 to read as follows:—

'I shall be glad if you will inform me of the names of your delegates and their staff, and on receipt of this information and a statement of the route by which your delegates propose to travel, I shall communicate with the interested Governments and inform you of the arrangements made, in order to afford you all necessary facilities and safe conduct.'

The text of the letter of invitation to be issued by Signor Bonomi to M. Chicherin was approved as amended. For full text of letter see Appendix I.<sup>5</sup>

It was also agreed that in the letters of invitation to other countries, the words 'your Government' should be retained in paragraphs 1 and 2, and that the reference to M. Chicherin's telegram should be omitted, as well as everything following: 'I shall be glad if you will inform me of the names of your delegates and their staffs.'

*Genoa Conference Agenda.*

2. M. LOUCHEUR said that the next question to be considered dealt with the preparation of an agenda. He would enquire whether any of the delegations had prepared a paper.

SIR ROBERT HORNE said that he felt some doubt as to the precise lengths to which this committee could go in the matter. He thought it would only be possible, at present, to indicate the topics of discussion, and subsequently to appoint a small committee, including a representative from each of the Allied nations, to work up the agenda in detail. Holding that view, he had drawn up the following list of topics which, he thought, might come under discussion. In the first place, it seemed essential that the Genoa conference should be asked to approve the resolution passed by the Supreme Council, on the 6th January. That resolution, which contained proposals for establishing better economic conditions in Europe, formed the foundations on which the conference must rest. The first item on the list would therefore be:

(1.) To approve the Cannes resolution of the 6th January.

M. LOUCHEUR said that it was in fact the primary condition. It was necessary to take the bull by the horns and to know whether or not the Russians accepted our conditions.

SIR ROBERT HORNE proposed that the second item should be:

(2.) International indebtedness.

It would be agreed that the existence of war debts had at the present moment a very obstructive effect on commerce throughout the world.

M. LOUCHEUR said it would be necessary for him to make reservations and requested that this point should be provisionally reserved.

SIGNOR JUNG agreed that 'international indebtedness' constituted a most important question, but he thought that the mere mention of international indebtedness might act as a deterrent to the co-operation of the United States of America. In the circumstances he would suggest as a wider title: 'essential conditions for re-establishment of confidence'.

(This was agreed to.)

SIR ROBERT HORNE, continuing, said that the following items next appeared on his list:—

(3.) Public Finance and national expenditure in relation to reconstruction.

M. LOUCHEUR accepted this in principle but thought it indispensable to find a formula which would not allow questions such as that of disarmament to be raised. He would have to return to this point.

SIR ROBERT HORNE proposed as a fourth subject the item 'Currencies and exchanges'.

M. LOUCHEUR said that these were two different subjects which should be distinguished.

(This was agreed to.)

SIR ROBERT HORNE then read the following headings:—

(6.) Central banks and banks of issue.

(7.) Commercial relations—tariff restrictions, import and export regulations.

(8.) Transport.

(9.) Credit machinery.

(10.) Laws governing bills of exchange and other commercial relations.

In regard to the last-mentioned item, he (Sir Robert Horne) did not wish to suggest that the Genoa conference could itself study that question, which was a legal one; but that conference might very well refer the question to some legal body for consideration and study.

SIGNOR JUNG suggested as an alternative reading: 'legal guarantees for the re-establishment of commercial relations'.

(Signor Jung's amendment was accepted.)

M. LOUCHEUR asked for time to reflect on the list as a whole. A fresh meeting could be held next day to consider the list again. As for the second heading proposed by Sir Robert Horne, he proposed purely provisionally, that it should read as follows:—

'Essential conditions for the restoration of confidence'.

SIR ROBERT HORNE informed the meeting that those were all the items which found a place on his list.

SIGNOR JUNG suggested the inclusion of a further item, namely: 'Technical assistance for industrial reconstruction'.

He thought that countries like Russia might require assistance in the way

of surveyors, mechanics or other expert workers, especially in connection with transport.

Signor Jung's proposal was agreed to.

After some further discussion it was decided that a copy of the draft agenda, as provisionally approved, should be circulated for independent study and reconsideration at the next meeting of the committee.

For full text of agenda, see Appendix II.<sup>6</sup>

*Countries to be Invited to Genoa Conference.*

3. M. LOUCHEUR said that he would next ask the committee to consider to what countries invitations should be issued.

SIR ROBERT HORNE invited attention to the fact that the Supreme Council had in a general way decided that invitations should be sent to all European countries and to the United States of America, and he thought that the issue of invitations should be so confined. Naturally, Japan, as one of the Allies, would, as a matter of fact, receive an invitation, as well as the various Dominions of the British Empire.

M. LOUCHEUR thought that the mention of 'Allies' raised rather a delicate question. Brazil was an ally; there were, in fact, forty allies, and the prospect of a public meeting, including all the allies, filled him with apprehension. He therefore gladly accepted Sir Robert Horne's suggestion that invitations should be confined to the various European countries—Spain, Portugal, Switzerland, &c., the United States of America, Japan and the Dominions of the British Empire.

There remained, however, certain States which had been recognised by France, though their Governments no longer appeared to exist. He referred in particular to Georgia. The Ukraine also presented certain difficulties. Ukraine had not been recognised by any of the Allied Powers, but neither had Russia.

MARCHESE DELLA TORRETTA agreed that M. Loucheur had raised a very important question, especially in regard to the Ukraine. Recently Italy had concluded a treaty with Russia and another with the Ukraine,<sup>7</sup> but both treaties had been signed by the same man, as representing Russia and the Ukraine respectively. The fact remained, however, that from an economic point of view it would be indispensable that the Ukraine should be brought into the scheme, since most of the work to be undertaken in Russia would actually lie in the Ukraine.

SIR ROBERT HORNE enquired what view Russia would take should an invitation be issued direct to the Ukraine. He thought such procedure might lead Russia to refuse to come to the conference.

MARCHESE DELLA TORRETTA replied that he had not intended that a

<sup>6</sup> Not printed. For the agenda, as revised on January 11, see No. 20, Appendix, below.

<sup>7</sup> These treaties (Preliminary agreement between RSFSR/Ukrainian SSR and Italy concerning political and economic matters, with a declaration concerning recognition of claims) were signed in Rome on December 26, 1921 (see R. M. Slusser and J. F. Triska, *A Calendar of Soviet Treaties 1917-1957* (Stanford, 1959), p. 28).

separate invitation should be issued to the Ukraine. Steps should, however, be taken to ensure that the Russian delegates would also represent the Ukraine. The Ukraine might possibly ask for a separate invitation, and in that case the request should, in his opinion, be granted.

M. LAROCHE pointed out that after the war the Supreme Council had formally recognised a number of new States, each of which was entitled to full consideration. But inside Russia a number of republics had from time to time been formed, whose status no one understood. Consequently, if an invitation were issued to the representatives of Russia, that invitation would naturally hold good for the whole of the territory of Russia, including every separate entity, such as the Ukraine, Georgia, &c. He suggested, therefore, that no separate mention should be made of the Ukraine at present. Should the Ukraine, however, ask to be invited, the question could be reopened.

M. LOUCHEUR informed the committee that the French Government held the view that an invitation should be issued to Georgia, because it had been recognised both by the French and by the Allies. On the other hand, no separate invitation should be issued to the Ukraine. Similarly, Turkey would not be invited, since peace had not as yet been made with that country.<sup>8</sup>

SIR ROBERT HORNE thought that no useful purpose would be served by continuing the discussion. He proposed that the matter should be referred to the Supreme Council.

(This was agreed to.)

#### *Circulation of Brussels Conference Report.*

4. SIR ROBERT HORNE proposed that the report of the Brussels conference<sup>9</sup> should be circulated to the various members of the committee. The report in question contained the decisions taken at a previous economic conference, and might give useful indications as a guide to the Genoa conference.

(This was agreed to.)

#### *Report to Supreme Council.*

5. It was decided to refer to the Supreme Council at the meeting to be held at 5 o'clock that afternoon—

- (i.) The draft letter of invitation to be issued to Russia, as approved (Appendix I),<sup>10</sup> and
- (ii.) The question of the countries to which letters of invitation should be issued.

(The meeting adjourned at 12.20 p.m.)

*Carlton Hotel, Cannes, January 10, 1922*

<sup>8</sup> The peace treaty was finally signed at Lausanne on July 24, 1923; see Vol. XVIII, No. 683, and *B.F.S.P.*, vol. 117, pp. 543–91.

<sup>9</sup> The reference is to the Conference of experts held in Brussels under the auspices of the League of Nations (see No. 2, n. 3).

<sup>10</sup> Not printed. For the draft finally approved, see No. 19, Appendix I.

I.C.P. 229] *British Secretary's Notes of a Meeting of Allied Financial Commission held on Tuesday, January 10, 1922, at 4 p.m.*

PRESENT: *Belgium*: M. Theunis (*in the Chair*).

*British Empire*: The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P.; EXPERTS: Sir R. Kindersley, Sir Allan Smith, Mr. E. F. Wise, Mr. S. D. Waley; SECRETARIES: Mr. T. St. Q. Hill, Mr. E. Allden.

*France*: M. Seydoux;<sup>1</sup> EXPERTS: M. Avenol, M. Tannery.

*Italy*: Signor Raineri; EXPERTS: Signor Giannini, Signor Jung, Signor Bussetti.

*Japan*: Baron Hayashi; EXPERT: M. Sekiba; SECRETARY: M. Kato. INTERPRETER: M. Mathieu.

*Economic Re-establishment of Europe.*

1. The commission had before it a memorandum entitled, 'Proposals for Re-establishing better Economic Conditions in Europe,' and attached thereto a 'Memorandum relative to the Organisation of Work of European Reconstruction' (A.J. 325, final revise).<sup>2</sup>

The annex was read to the meeting, and translated into French. The following discussion took place in regard to it:—

*Paragraph 4.*

M. THEUNIS asked whether it was intended that the board of the corporation should be modified to admit of new participants.

SIR LAMING WORTHINGTON-EVANS replied in the affirmative. For instance, if the United States refused to come in at once, and desired to do so later, they could be admitted. This would modify the original proportions of the shares. In order to provide for this, it would be necessary not to issue the whole 2 millions at once.

*Paragraph 5.*

It was agreed—

To delete the words 'under the direction of the corporation,' and to add at the end of the same sentence the words 'by the corporation'.

*Paragraph 6.*

It was agreed—

To add the words 'in the first instance' after the word 'shall' in line 1 of this paragraph.

*Paragraph 7.*

M. THEUNIS pointed out that sub-section (*d*) would give the impression that contracts would be distributed by the national corporations, whereas the intention was that those corporations should merely provide funds.

<sup>1</sup> Assistant Director of Commercial Relations at the French Ministry of Foreign Affairs.

<sup>2</sup> Not printed. This memorandum in its final form is given as Appendix 2.

It was agreed—

That sub-section (d) should be altered to read as follows: 'to arrange for the distribution of contracts'.

The commission agreed—

To approve the annex subject to the amendments mentioned above, and to any minor verbal alterations which Sir L. Worthington-Evans might think fit to make.

2. The commission then considered the section entitled, 'Proposals for Re-establishing better Economic Conditions in Europe,' and agreed to make the following alterations in the draft:—

- (i.) To insert at the end of the first paragraph, on p. 7, the following words: 'Regard shall be had to the interests of any nation specially concerned in any particular undertaking'.
- (ii.) To delete paragraph 2 on p. 7.
- (iii.) To delete the word 'say' in paragraph 3 on p. 7.
- (iv.) To delete the word 'participants' in the last line of p. 6, and to substitute the words 'affiliated company'.
- (v.) To add the words 'and its affiliated companies' at the end of the first paragraph on p. 6.
- (vi.) To delete the words 'Anglo-French' in line 1 of p. 6, and to insert the following words after the word 'committee,' in line 1 of p. 6: 'of two representatives each of Belgium, France, Great Britain and Italy, and one representative of Japan'.
- (vii.) To redraft section 2, as follows: 'It is proposed that an international corporation shall be formed and registered in the manner provided in the annex. There will be no Government control.'

The commission agreed to approve the section entitled, 'Proposals for Re-establishing better Economic Conditions in Europe,' subject to the above amendments, and to request Sir Laming Worthington-Evans to circulate to the various delegations the revised version, as soon as possible.

The memorandum and annex, as revised at the meeting, and subsequently by Sir L. Worthington-Evans, are reproduced as an annex to these minutes, and as A.J. 329.<sup>3</sup>

*Cannes, January 10, 1922*

#### APPENDIX I TO No. 16

*Supreme Council Proposals for Re-establishing Better Economic Conditions in Europe,  
January 10, 1922*

(A.J. 329. Secret.)

#### I

[1] Europe is paralysed. Her industries are dislocated; the volume of international trade has seriously decreased. Many of her people suffer from

<sup>3</sup> As is evident from a study of the revised English text, the final draft made by Sir L. Worthington-Evans did not incorporate the agreed amendments in the form given above.



unemployment, and, in Eastern Europe, from privation. Systems of transport in Central and Eastern Europe have fallen into disorder with the result that the whole current of commerce has been impeded.

[2] Want of confidence among nations has paralysed the efforts of individuals, and the fluctuation in the values of the national currencies has tended to restrict trade to primitive barter, and to destroy opportunities of employment.

[3] A resumption of international trade and a development of the resources of each country will extend the volume of productive employment and tend to relieve existing privation.

[4] International trade will be re-established only when those engaged in trade and industry can once more feel confident that in Central and Eastern Europe economic principles will be observed which are essential to the development and even the existence of private enterprise.

[5] The fundamental conditions upon which alone international trade can be actively developed with the Central and Eastern European countries have been defined in the resolution passed by the Allied Powers in conference on the 6th January, 1922.<sup>4</sup>

[6] To bring back Europe to its former prosperity it is essential that these conditions should be fulfilled; otherwise trade and labour will necessarily be reduced within narrow limits.

[7] If any country refuses to fulfil these conditions, trade with that country will remain impossible except to a limited extent, and all Europe will suffer in consequence. The markets of Central and Eastern Europe are essential to the well-being of European industry. If these markets cannot be reconstituted, Eastern and South-Eastern Europe will lose millions of their population, and reconstruction will become progressively more difficult; and the conditions which produce misery and starvation in the East will doom the industrial population of Western Europe to a long period of unemployment, during which they will compete with each other in markets incapable of taking more than a part of the goods they are anxious to produce.

[8] In such circumstances the economic rehabilitation of Europe will become still more difficult. Inflation will continue in many countries. The cost of living will not fall, general depression will not abate, and the wage-earning and the professional classes will be the worst sufferers.

[9] The evil is even more far-reaching and extends far beyond Europe for it has to be borne in mind that those countries producing raw materials, such as India, China, the Argentine and Brazil, if unable to sell these materials, owing to the impoverishment of Europe, cannot in their turn purchase the manufactures with which Europe has hitherto supplied them.

[10] The process of reconstituting each country by its own unaided efforts has not yet proved successful. Whole-hearted co-operation among the nations of Europe, and amongst all the classes of the community can alone overcome the difficulty and stimulate and assist each country to make the best use of its energies and resources.

[11] It is therefore proposed that the British Empire, France, Italy, Belgium and Japan, and the United States of America, if willing, should take a share in the task, together with other countries capable of effective help. It is desirable that Germany should co-operate. Germany is, industrially, commercially and financially an important factor in Central and Eastern Europe. Not only do

<sup>4</sup> See No. 6.

her resources and her geographical position give her great importance, but she has in the past acquired knowledge and experience which are useful for the process of reconstruction.

[12] The problem is to restore confidence and the credit machinery necessary for setting Central and Eastern Europe to work again. Governments cannot do this themselves, because, apart from other reasons, credit operations require knowledge of the position and the character of possible borrowers, and only industrialists and financiers possess this knowledge.

## II

[13] It is proposed that an international corporation, free from Government control, shall be constituted in the manner specified in the annexed memorandum.

[14] The primary purpose of the international corporation and of the national corporations which will be affiliated to it, while duly safe-guarding rights previously acquired by nationals of the participating Powers, will be to undertake organisation of transport and harbour facilities and enterprises associated therewith in such countries as comply with the conditions above referred to and desire the assistance of the international corporation. Rehabilitation of the transport system will conduce to the free flow of trade and commerce, and do more than any other thing to prepare the way for reopening of private enterprise. There is, however, much more to be done. Old industries have to be revived and new means of employment found. The international corporation will, at the same time, encourage private enterprise willing to engage in particular undertakings.

[15] The participation of Germany in the corporation will incidentally facilitate the payment of reparation. With that object one-half of the profits accruing on the shares of the German national corporation will be paid to the Reparation Commission.

[16] Contracts for the supply of materials and for other purposes will in general be allotted to particular countries in proportion to their provision of capital for the international corporation and the national corporations.

[17] A preliminary sum of £10,000 shall be provided forthwith by subscriptions by the Governments of the countries agreeing to participate for the purpose of meeting the initial expenses of enquiry and investigation which will be necessary before further progress can be made.

*January 10, 1922*

### APPENDIX 2 TO NO. 16

#### *Memorandum relative to the Organisation of Work of European Reconstruction*

##### *1. Designation*

The designation [of] the corporation is 'The Central International Corporation,' and is hereinafter referred to as 'the corporation'.

##### *2. Domicile*

The corporation shall be established in London where it shall have its principal or registered office.

##### *3. Charter*

The corporation shall be created by a special Act of Parliament of Great Britain,

in which special Act shall be specified the powers, duties, functions, responsibilities and liabilities of the corporation. The provisions of the British Company Law shall as far as suitable be adopted, and provision will be made for the exemption of foreign holdings from income tax.

#### 4. *Constitution*

The corporation shall consist of representatives of the national corporations, hereinafter referred to in accordance with the proportions set out in Schedule 'A' annexed hereto.<sup>5</sup> Provided that the representation of any additional national corporation, which may, subsequent to the passing of the special Act referred to, be admitted to the corporation, shall be determined by the administrative council or board of directors of the corporation, hereinafter referred to as 'the council'.

#### 5. *National Corporation*

Each nation, party to the formation of the corporation, agrees to set up in its own country a national corporation which shall contribute to the funds of the corporation, and which shall carry out work entrusted to it by the corporation. No national corporation shall undertake any work except that which may be entrusted to it by the corporation.

#### 6. *Funds*

The funds at the command of the corporation shall, in the first instance, be not less than the equivalent of £20,000,000.

The funds shall be provided by the national corporations in the proportions of sterling values set out in Schedule 'A' attached hereto,<sup>5</sup> being the minimum amounts of capital to be held by the respective national corporations.

The national corporations specified in Schedule 'A'<sup>5</sup> shall be instituted simultaneously with the corporation, and of their capital subscribed at least 25 per cent. shall be immediately paid up.

The capital of each national corporation shall be in the currency of its nation.

The national corporations shall undertake to call up and make available to the corporation, as and when required, the balance of their share as specified in Schedule 'A'.<sup>5</sup>

For the purpose of providing funds to enable the corporation to carry on its administrative functions, a sum of the equivalent of £2,000,000 shall be forthwith paid up by the national corporations *pro rata* to their capital as specified in Schedule 'A'.<sup>5</sup>

#### 7. *Functions of the Corporation*

The principal functions of the corporation shall be—

- (a.) To examine the opportunities for undertaking work in connection with European reconstruction.
- (b.) To assist in the finance of such undertakings.
- (c.) To obtain adequate security for payment in respect of work carried out.
- (d.) To arrange for the distribution of contracts.
- (e.) To promote or assist in the promotion of subsidiary companies or corporations in various countries for special purposes.

<sup>5</sup> Not printed. This schedule was not completed at this meeting of the Allied Financial Commission.

## 8. Administration

The business of the corporation shall be administered by the council which shall be appointed by the representatives of the national corporations. The council shall consist of ten members, and each national corporation will be entitled to representation in proportion approximately to its participation in the capital of the corporation.

Decisions of the council within its competence shall be binding on the national corporations.

*January 10, 1922*

### No. 17

I.C.P. 229A] *British Secretary's Notes of a conversation between Mr. Lloyd George and M. Briand, held at the Villa Valetta, Cannes, on January 10, 1922, at 5.45 p.m.*

PRESENT: *British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; Sir Edward Grigg, K.C.V.O., C.M.G.; SECRETARY: Mr. Thomas Jones.

*France*: M. Briand, President of the Council; M. Loucheur, Minister for the Liberated Regions; SECRETARY: M. Massigli.

The Conference had been called to discuss a draft of a Memorandum by the British Government on Anglo-French Relations (A.J. 323)<sup>1</sup> which had been handed to the French late in the forenoon.

M. BRIAND began by calling attention to the detailed conditions set forth in the memorandum in regard to Angora, Tangier, submarines, and the forthcoming Economic Conference. He feared that their detailed enumeration would make a bad impression in France. This would certainly be the case if Tangier were included. The public would at once suspect that it was to be given to Spain and would become very excited.

MR. LLOYD GEORGE: 'We want it to be independent and neutral.'

M. BRIAND asked that the conditions should not be stated with such precision but general words used to indicate that the two countries were taking the occasion of the conclusion of the guarantee to settle certain minor questions which were outstanding. He quite agreed to the question of Tangier being settled but did not wish to make any public reference to it in the meantime as the public would not know what it meant.

MR. LLOYD GEORGE said that he would not like to give a decision to omit Tangier without consulting Lord Curzon. Personally he did not mind taking it out if Lord Curzon had no objection. It was on the question of submarines that British public opinion would be most sensitive. He had that day received the views of the British Cabinet<sup>2</sup> and they were of opinion that the passage

<sup>1</sup> See No. 11, n. 5.

<sup>2</sup> In Foreign Office telegram No. 4 of January 10, 1922, to Lord Curzon at Cannes, which transmitted a message from Mr. Chamberlain, Lord Privy Seal.

dealing with submarines ought to be strengthened. English opinion had been much estranged on the question of French policy at Washington.<sup>3</sup>

(Mr. Lloyd George then read the telegram which he had received from Mr. Chamberlain communicating the views of the Cabinet.)

Mr. Lloyd George then suggested that a sentence should be inserted to the effect that the British and French Admiralties should meet to adjust their naval programmes so as to avoid the necessity of building against each other.

M. BRIAND agreed. He then called attention to certain expressions which rather gave the impression that Great Britain was affording 'Protection' to France, and suggested that other words should be used which would shew that Great Britain realised that the safety of France was also an interest of her own.

MR. LLOYD GEORGE concurred and gave instructions for the necessary verbal amendments.

M. LOUCHEUR said that owing to a snow storm and the breakdown of the telegraph wires, no answer had yet been received from Paris on the subject of Reparations.

MR. LLOYD GEORGE: 'You can make the Reparation accounts shew that France is getting her full share. If Germany undertakes to deliver goods and they are a bit late in the actual delivery, that could be adjusted. The price of coal is bound to go up as the result of the proposed controls. That would be a good thing for the French mines in the Pas de Calais.'

M. LOUCHEUR agreed that the present position in regard to coal was really dumping and he would prefer that a higher price should be paid for coal.

MR. LLOYD GEORGE then suggested that M. Loucheur and Sir Robert Horne should endeavour to see Herr Rathenau<sup>4</sup> and Herr Bergmann<sup>5</sup> alone in private conversation before meeting in formal public conference.

M. LOUCHEUR agreed and said he would make the necessary arrangements.

*Carlton Hotel, Cannes, January 10, 1922*

<sup>3</sup> See Vol. XIV, Chap. VI.

<sup>4</sup> See No. 3, n. 12.

<sup>5</sup> See No. 9, n. 8.

## No. 18

I.C.P. 229B] *British Secretary's Notes of a conversation between Mr. Lloyd George and Signor Bonomi held in Signor Bonomi's Room at the Carlton Hotel, Cannes, on January 10, 1922, at 6 p.m.*

PRESENT: *British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; SECRETARY: Mr. Thomas Jones.

*Italy*: Signor Bonomi, Prime Minister; Marchese della Torretta; SECRETARY: Signor Buti.

MR. LLOYD GEORGE referred to the memorandum by the British Government on Anglo-French Relations (A.J. 323)<sup>1</sup> and said that it was the rough draft of proposals which he had agreed with M. Briand. He proposed to

<sup>1</sup> See No. 11, n. 5.

strengthen the passage dealing with submarines and would give Signor Bonomi a copy of the document. If there was anything in it which offended the susceptibility of Italy he would like his attention drawn to it immediately.

SIGNOR BONOMI said he wished to call the attention of Mr. Lloyd George to the effect that the document was likely to produce on the public opinion of Italy and the world. They were assembled at Cannes in the interests of peace. The proposed agreement contemplated military action between the two powers to the exclusion of the other Allies. He wished to know did [*sic*] Mr. Lloyd George think that the agreement was likely to facilitate their efforts to secure a European peace or make them more difficult.

MR. LLOYD GEORGE: 'To meet that objection I have put certain paragraphs in at the end of the memorandum.'

SIGNOR BUTI then translated into Italian the concluding page of the memorandum.

MARCHESE DELLA TORRETTA: 'What we apprehend is that public opinion in Italy may assume that this document brings to an end the alliance between the Powers and is the beginning of a new Entente. This is a proposal to keep Germany in check by means of France and England. Italian opinion will begin to contemplate the possibility of Germany approaching Italy and seeking a new coalition which would tend to endanger peace. The Italians may argue that as France is being guaranteed by England, Italy ought to take a more sympathetic attitude towards Germany.'

MR. LLOYD GEORGE thought it would be the other way. The Treaty of Guarantee dealt with unprovoked aggression of which Great Britain would be the judge.

MARCHESE DELLA TORRETTA: 'That may be the precise case but the general impression will transcend details in the minds of the people.'

MR. LLOYD GEORGE: 'This is only what we did in 1919.<sup>2</sup> The United States of America fell out and now we make good our word alone.'

MARCHESE DELLA TORRETTA: 'Article 44 of the Treaty of Versailles deals with the case of Germany committing a hostile act likely to disturb the peace of the world as committing it against all the Allies. In Paris three countries went aside and made a special compact.'

MR. LLOYD GEORGE: 'President Wilson and I gave the undertaking under pressure in order to prevent France occupying up to the Rhine.'

MARCHESE DELLA TORRETTA repeated that the Italian representatives were thinking of peace and apprehensive lest an agreement limited to France and England should tend to endanger peace.

MR. LLOYD GEORGE controverted this. France was like a nervous beast full of fear and [*as*] she is in that state this guarantee ought to calm her. Whenever she wants to quarrel with Germany she will have to come to us and we will be able to exercise a restraining influence.

SIGNOR BONOMI said that the signing of an agreement by England and France and leaving Italy outside might encourage Germany to try and bring Italy to her side, and also Jugo-Slavia and Czecho-Slovakia—a fresh

<sup>2</sup> See No. 2, n. 4.

combination leading to a new orientation of policy. He was thinking not of himself but of a possible Italian Government in the future with other views. Had Mr. Lloyd George considered that point and the dangerous consequences which might arise out of this guarantee?

MR. LLOYD GEORGE said that Great Britain would have been delighted to have Italy in but France preferred to have Great Britain alone for reasons of her own. If Italy wished to join in the guarantee we should not object nor would our public opinion. We had to offer this guarantee to France in order to bring her into the general appeasement. Italy would merge in the general pact which it was hoped to conclude at Genoa. This would bring France to Genoa and once there we could build up the pact contemplated in Clause VI of the Resolution of January 6th.<sup>3</sup>

Mr. Lloyd George concluded by inviting Signor Bonomi to send at once in writing any amendments he wished to make in the document.

*Carlton Hotel, Cannes, January 10, 1922*

<sup>3</sup> See No. 6, Appendix.

## No. 19

I.C.P. 230] *British Secretary's Notes of an Allied Conference, held at the Cercle Nautique, Cannes, on Tuesday, January 10, 1922, at 6.15 p.m.*

PRESENT: *America*: Mr. Myron T. Herrick; REPARATION COMMISSION: Mr. Boyden; SECRETARY: Mr. F. D. K. le Clercq.

*Belgium*: M. Theunis, M. Jaspar; REPARATION COMMISSION: M. Delacroix; SECRETARIES: Vicomte Davignon, M. Gutt.

*British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P., The Rt. Hon. Sir R. Horne, G.B.E., K.C., M.P., The Most Hon. the Marquess Curzon of Kedleston, K.G., G.C.S.I., G.C.I.E., The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P.; EXPERTS: Sir B. P. Blackett, Sir John Bradbury, Mr. E. F. Wise, Mr. S. D. Waley; SECRETARIES: Mr. T. Jones, Major Caccia, Mr. T. St. Quintin Hill, Mr. P. J. Grigg.

*France*: M. Briand (*in the Chair*), M. Loucheur; EXPERTS: M. Seydoux, M. Laroche, M. Fromageot, M. Avenol, M. Tannery, M. Felcourt, M. Petsche; REPARATION COMMISSION: M. Aron; SECRETARIES: M. Massigli, M. Bressy.

*Italy*: Signor Bonomi, Marquis della Torretta, Signor G. de Nava, Signor Raineri; EXPERTS: Signor Giannini, Signor Barone, Signor Conti Rossini, Signor d'Amelio,<sup>1</sup> Signor Giarrocca; SECRETARIES: Signor Brambilla, Signor Buti, Signor Rocco.

*Japan*: Baron Hayashi, Viscount Ishii; EXPERT: M. Sekiba;<sup>1</sup> SECRETARIES: M. Tokugawa, M. Kato.

INTERPRETER: M. Mathieu.

<sup>1</sup> Representing the Reparation Commission.

*Invitation to Russia.*

1. M. BRIAND suggested that the conference might discuss the recommendations of the commission which had met that morning in order to draft an invitation to Russia to attend the conference at Genoa.<sup>2</sup> The conference could then consider the question of the international corporation.

M. LOUCHEUR then read to the conference, in French, the draft letter of invitation to Russia which had been prepared at the meeting of the committee on the economic conference held at 11 a.m. on the 10th January, 1922. The English version of the draft is circulated at A.J. 326.<sup>3</sup>

MR. LLOYD GEORGE asked why the invitation should be restricted to two delegates.

SIR ROBERT HORNE replied that it was necessary to avoid increasing unduly the numbers to be present at the economic conference. A very large number of European countries would be represented, and in addition to these there would be the British Dominions, the United States and Japan. If more than two representatives from each country was present the conference would approximate to a public meeting.

MR. LLOYD GEORGE stated that he could understand a restriction of the number of delegates if it applied only to the smaller Powers, but the discussions with Russia would deal with economic and financial questions. It would be necessary for the Ministers conversant with each of these subjects to be present; also the Foreign Secretaries would require to be present because the conference might embark on the question of recognising the Soviet Government and of the conditions of such a recognition. Further, the Prime Ministers of the countries concerned would have to be present. He hoped that there would be no restriction of the number of delegates which the Allied Powers would send. This would be the greatest conference which had taken place since the Peace Conference. He could quite understand that the delegates of the smaller Powers should be restricted in number, but those of the Great Powers should not be restricted. He did not see how Great Britain could do business with only two delegates, or how any of the Great Powers could be represented by only two Ministers.

MR. HERRICK stated that he agreed with Mr. Lloyd George's view, and referred to occasions in the United States of America when it had been necessary to take the advice of professors o[f] economics, business men and legislators. He thought it would add to the knowledge and general information of the conference if there were full representation of the nations, and that such representation would make for efficient working.

The conference agreed—

That the word 'two' should be deleted in line 3 of paragraph 2 of the above invitation (A.J. 326).<sup>3</sup>

M. BRIAND then referred to an important question which was not only one of procedure. This was whether the delegates to the economic conference should be required to accept before attending the conference the conditions

<sup>2</sup> See No. 15.

<sup>3</sup> Not printed. For the final version, see Appendix 1.



laid down by the Supreme Council at its meeting at 11 a.m. on the 6th January, 1922 (see Appendix I to I.C.P. 221),<sup>4</sup> or whether they should be allowed to attend before having made known formally the reply of their Governments. This was a very important question, on which the Supreme Council should take decisions. France, for instance, possessed a number of holders of Russian bonds, to the amount of almost 20 milliards of francs, and many French citizens had had their property in Russia expropriated. French public opinion would be strongly opposed to a meeting between French and Russian delegates, unless the latter had previously accepted the conditions laid down by the Supreme Council and had recognised the validity of debts contracted by Russia to France.

MR. LLOYD GEORGE replied that it was true that these were the conditions which the Supreme Council was anxious to secure. The mere fact that Russia had accepted the invitation, having regard to the words of the resolution passed by the Supreme Council, meant, he thought, that she intended to accept the conditions in the end. He then read the last sentence of the conditions, which is as follows: 'The Allied Powers would be prepared to accord such recognition on the basis of the acceptance by the Russian Government of the foregoing stipulations.' He then read the following words from the resolution passed by the Supreme Council on the 6th January: 'The Allied Powers consider that the fundamental conditions upon which alone this effort can be made may be broadly stated as follows.' The acceptance by Russia of the invitation implied that she would ultimately accept the conditions. He had observed from the Paris newspapers that the quotations for Russian bonds had gone up, and he thought that the Paris newspapers took a very sensible view of the situation. He felt that the Supreme Council would defeat its objects if it required the Russian delegates to accept formally the conditions before attending the Genoa conference. The object was to get the Russian delegates to come to Genoa, as this was the only chance of doing business. They had said that they were willing to send representatives with full powers—that is, with full powers to deal with the conditions laid down by the Supreme Council. He thought that the document prepared by the committee was a good one, and should not be altered in this respect. It merely took note of the fact that the Russians proposed to send representatives, and he thought the matter should be left there. It was important to avoid putting up the back of revolutionists. The fires of revolution were not easy to quench, even when they had been kindled so long as 100 years ago, and while they were still blazing this would be more difficult.

M. BRIAND stated that the Russian Government had shown the keenest desire to be present at the Genoa conference. This was proved by the haste in which they had accepted the invitation. He thought that this was an excellent occasion for obtaining the acceptance by the Russian Government of the conditions laid down by the Supreme Council, and psychologically the occasion was a favourable one. He feared that if the conference did not register the acceptance by the Soviet Government of the invitation as an

<sup>4</sup> No. 5, n. 13, and No. 6, Appendix.

acceptance also of the conditions there would be grave consequences which would reflect on the Genoa Conference itself. If the Soviet representatives at the last moment started a discussion on the subject, there would be loss of precious time, and possibly even an adjournment of the Conference. It would be preferable if the Soviet Government were informed that the Supreme Council assumed that they had accepted formally the conditions. It would be too late afterwards. When revolutionaries emerged from the heroic stage they employed more cunning sophistries even than those of politicians, and the Soviet Government's representatives would indulge in all kinds of arguments at the Genoa conference. The Soviet Government wished to send representatives to the Genoa conference, and he thought that they should be told without discussion that the Supreme Council considered their acceptance of the invitation to that conference to be an acceptance of the conditions laid down by the Supreme Council.

SIGNOR BONOMI referred to the conditions laid down by the Supreme Council at its meeting on the 6th January at 11 a.m. (see Appendix I to I.C.P. 221).<sup>4</sup> He thought that a distinction should be drawn between the two categories of conditions. The principal and indispensable conditions were Nos. (1), (2), (4), (5) and (6), but No. (3) was a special condition and related to the extension of credits to Russia. Russia, he thought, might say that she did not want any credits. He suggested that a distinction in the two kinds of conditions should be made.

MR. LLOYD GEORGE stated that the whole question had been discussed at the committee held that morning,<sup>5</sup> and that the final paragraph of A.J. 326<sup>3</sup> had been specially added as a compromise to meet M. Loucheur, who had pressed M. Briand's view. He then read the paragraph, and expressed the hope that it would be kept in the form in which it had been drafted. He thought it was a very fair compromise [between] the two different views, and he hoped that M. Briand would not press his own more extreme view on the Supreme Council.

M. JASPAR confirmed the statement that the last paragraph had been framed to meet the views of M. Briand.

M. BRIAND declared that he was satisfied if it was understood that the paragraph must be interpreted in the manner just indicated by Mr. Lloyd George and M. Jaspar. He asked that this should be made quite clear in the minutes.

(This was agreed to.)

M. Briand replied [*sic*] that Signor Bonomi had established a distinction between the two categories of conditions. Those conditions which were attached to a demand for credit were very important. M. Briand had often stated in the French Chamber of Deputies that if these conditions were not complied with France could not enter into relations with the Soviet Government. Even in the case merely of a meeting between French and Soviet representatives it was necessary that Russia should recognise her debts

<sup>5</sup> See No. 15.

beforehand and should bind herself to compensate owners of property whose goods she had confiscated and whom she had plundered.

MR. LLOYD GEORGE stated that the Russians must accept the conditions in principle, otherwise they would [*sic*] not come to the conference.

M. BRIAND read the following words, which he suggested might be inserted in the last paragraph of A.J. 326<sup>3</sup>:—

‘The Supreme Council learn with satisfaction that you recognise the conditions laid down in the document, and that you propose to send representatives to the conference at Genoa.’

MR. LLOYD GEORGE protested against the use of these words. They would be regarded as an attempt to trap the Russians. He thought that the draft, as it stood, was a very fair compromise, and that they would accept the invitation, and that they would ultimately accept the conditions. Why was it necessary to state this now and endanger thereby the whole conference? If the form of words suggested by M. Briand were used by Signor Bonomi in his invitation, and an unsatisfactory reply were received, would the Allies have to summon another Supreme Council to consider the Russian reply? A great deal of time had been spent on the draft invitation. He hoped that M. Briand would not reopen the discussion and suggest words which would endanger the whole conference. The suggestion for a conference had been received with great satisfaction in every country.

The conference agreed that the following words should be used at the beginning of the last paragraph of A.J. 326<sup>3</sup>:—

‘The Supreme Council, conscious that you recognise the importance which it attaches to the assurances, &c. . . .’

The invitation, as finally approved by the conference, is attached as Appendix I to these minutes.

#### *Invitations to the Genoa Conference.*

2. M. LOUCHEUR reported that the committee which had sat this morning<sup>2</sup> had decided to recommend that all European Powers should be invited to attend the Genoa conference, but a difficulty had arisen in regard to the Powers bordering on Russia. There was a second difficulty in regard to non-European Powers. It had been agreed that the British Dominions, Japan and the United States should be invited to send representatives, but what should be done in the case of Brazil, which was an ally? There were South American countries, too. The decision on this point had been left to the Supreme Council, but an opinion in favour of not inviting the South American countries had been expressed.

As regards the new States bordering on Russia, there was, for instance, the Ukraine. The Marquis della Torretta had stated that the Ukraine was sometimes recognised as a part of Russia, and it had been decided to leave the question for decision to the Supreme Council. There was also the case of Georgia, which was in the hands of the Soviet Government, and [there] were States not recognised by the Soviet Government, such as Esthonia.

LORD CURZON suggested that the test of invitation should be *de jure* recognition by the Great Powers. The Great Powers had never recognised Ukraine, and it was doubtful what form of Government existed in that country. As regards Azerbaijan, the Great Powers had never recognised the *de jure* existence of that State. They had recognised the *de jure* existence of Georgia<sup>6</sup> and Armenia,<sup>7</sup> but these countries had ceased to exist and were now part of the organisation of the Soviets. It was, therefore, impossible to invite them to be represented at Genoa. As regards Brazil and South America, he pressed that some restraint should be shown. The test in this case should be the ability of the countries invited to contribute to the economic reconstruction of Europe. The United States and Japan would be invited to the conference. They were great Powers and had borne their share in the war, but there were great difficulties in drawing any distinction between the South American States. He hoped that the conference would refuse to issue invitations to any South American State and to the doubtful States bordering on Russia. Moreover, the conference were on dangerous ground since it was not proposed to invite Turkey, war never having been officially declared at an end between Turkey and the Allies. The Great Powers did not recognise the Turkish Government, and what applied to Turkey applied to others.

MARQUIS DELLA TORRETTA said that the Italian Government had been able to conclude a commercial treaty with Russia as a result of direct dealings with the representative of the Moscow Government.<sup>8</sup> At the time of signing the same, he had received a telegram from M. Rakowsky<sup>9</sup> from Karkof, in which it was stated that Vorwsky<sup>10</sup> had been authorised to sign a similar treaty on behalf of the Ukraine. Fully realising that the Ukraine and not the part of Russia directly controlled by the Moscow Government constituted the most important territory from a commercial point of view, he (Marquis della Torretta) had agreed to this arrangement. At the time of signing, Vorwsky produced his powers of appointment as representative of the Ukraine Government. It thus became possible to ratify two identical treaties, one with Russia and the other with the Ukraine. As a result of those negotiations he held the view that it would not be advisable to issue a separate invitation to Ukraine, unless Russia asked that this should be done, or Ukraine herself should make a similar demand.

M. BRIAND expressed the view that it would be very unsatisfactory if this meeting were to separate without a decision having been reached on the question of the countries to be invited. In a few days it would become necessary for the Italian Government to take measures for the organisation of the proposed conference, and the issue of invitations would become one of

<sup>6</sup> See Vol. XV, Nos. 6 and 8.

<sup>7</sup> Presumably Lord Curzon assumed that the invitation to Armenia to sign the Treaty of Sèvres in August 1920 (see *B.F.S.P.*, vol. 113, pp. 652-776) constituted *de jure* recognition, but cf. Vol. XV, No. 6.

<sup>8</sup> See No. 15, n. 7.

<sup>9</sup> President of the Council of People's Commissars and Commissar for Foreign Affairs of the Ukrainian Soviet Republic.

<sup>10</sup> See No. 4, n. 4.

the first acts to be taken. He quite agreed with the views expressed in regard to countries outside Europe. He also shared the views expressed by Marquis della Torretta in regard to the Ukraine. There remained, however, the question of Georgia and Armenia. The Great Powers in the Supreme Council had, as a body, recognised both these countries officially. If Georgia and Armenia now asked to be invited how could their applications be refused? Would it be possible for the Supreme Council to say that because those countries had been invaded and had fallen into the hands of the Soviets they could no longer be asked?

In view of the statement contained in paragraph 6 of the resolution moved by Mr. Lloyd George, and passed by the Allied Powers in conference on the 6th January, 1922,<sup>11</sup> in which it was stated that 'all countries should join in undertaking to refrain from aggression against their neighbours,' the Supreme Council would be stultifying themselves if no invitations were issued.

Furthermore, it would be necessary also to consider the question of Esthonia, and he would urge the conference to come to a definite decision on these points, so that the path of Italy might be made easy in the organisation of the Genoa conference.

LORD CURZON thought that the difficulties expressed by M. Briand could be easily overcome. To begin with some of the States on the northern frontier of Russia. Finland would obviously be invited. Again, Esthonia had been recognised by all the Allied Powers<sup>12</sup> and would therefore also be invited. On the other hand, Latvia had not so far been recognised. Great Britain was prepared to do so, but until recognition had been granted by all the Allied Powers an invitation need not be issued.

Next, in regard to the States in the south, mentioned by M. Briand. In the first place, even supposing those States had a separate corporate existence, they were not European States. They were Asiatic States. And if Asiatic States were to be included then why not also invite Persia? Furthermore, in regard to the recognition of Georgia and Armenia, he would point out that as a result of the invasion of those territories by the Russian Soviet Government the representatives of those States were now living in hotels in London, and represented no one but themselves. In his opinion no useful purpose would be served by inviting independent gentlemen. The Genoa conference must be composed of representatives of existing Governments, and the Governments of Georgia and Armenia were in the hands of the Soviets. In that connection he would mention the fact that the British Government had recently desired to send a commercial gentleman to the Caucasus, and he had been obliged to apply for a pass to the Moscow Government, the nominal representatives of those States in London having been unable to help in any way.

To sum up, therefore, firstly on the ground that those States were Asiatic, and, secondly, since it was doubtful whether they had any existence, he thought that invitations could not be issued. Finally, in regard to the Ukraine he would urge the conference not to pre-judge the case by inviting

<sup>11</sup> See No. 6.

<sup>12</sup> See Vol. XV, No. 6.

her; but to wait until that country should make out a case for herself. He readily admitted that the Ukraine presented a difficulty, especially as Italy had entered into a trade agreement with her. On the other hand, the Ukraine had not so far been recognised by any of the Great Powers, and on that account he would suggest that the Supreme Council should wait until Russia took steps to make a case for the Ukraine.

M. BRIAND expressed the view that the arguments of Lord Curzon to the effect that Georgia and Armenia constituted Asiatic States appeared to him sound and sufficient.

MARQUIS DELLA TORRETTA agreed. He regretted the decision in regard to Georgia's geographical position, since, from an economic point of view, it presented an enormous field for commercial developments.

M. LOUCHEUR thought a decision could now be taken in regard to the invitations to be issued. He would read a list of the countries to be invited, and the decision of the conference could be taken thereon. He would, at the same time, suggest, for the acceptance of the conference, the number of delegates to be appointed by each country.

The following list was read and approved:—

I. The following countries to be entitled to appoint delegates without limit:—

1. The Allied Powers represented at the Cannes Conference.
2. United States of America.
3. Germany.
4. Russia.

II. The following countries to be entitled to appoint two delegates each:—

5. The various Dominions of the British Empire.
6. Spain.
7. Portugal.
8. Norway.
9. Sweden.
10. Denmark.
11. Finland.
12. Switzerland.
13. Esthonia.
14. Poland.
15. Czechoslovakia.
16. Latvia.
17. Austria.
18. Hungary.
19. Roumania.
20. Jugoslavia.
21. Greece.
22. Bulgaria.
23. Holland.

III. The following country to be entitled to appoint one representative:—  
24. Luxembourg.

*Organisation of the Conference.*

3. M. BRIAND informed the Supreme Council that he proposed forthwith to issue a letter to M. Bonomi investing him with full and complete powers to proceed with the organisation of the Genoa conference. He understood that M. Bonomi would as a first act acknowledge in his own name Chicherin's telegram.<sup>13</sup>

*Constitution of International Corporation for Establishing Better Economic Conditions in Europe.*

4. M. THEUNIS reported that his committee<sup>14</sup> had drawn up a draft resolution in regard to the establishment of an international corporation with affiliated national corporations for the purpose of the economic reconstruction of Europe, which they submitted for the formal approval of the Supreme Council. (For text of draft resolution see A.J. 324.)<sup>15</sup> Furthermore, his committee had re-examined the whole of the document containing proposals for re-establishing better economic conditions in Europe. That document contained a first part or preamble which had already been accepted by the Supreme Council. The second part, which dealt with the proposed international association, had been redrafted, and in addition the committee had drawn up a draft statute or memorandum relative to the organisation of work of European reconstruction. The statute required some further slight amendments, which would be settled that evening. Finally, tomorrow morning a small committee would meet to decide the share of the preliminary sum to be attributed to the various States.

In conclusion he would add that the Japanese representatives adhered to the resolutions, subject to the approval of their Government. In addition, the French representatives had accepted the same, subject to the approval of M. Loucheur.

M. LOUCHEUR said that he had no objections to offer, provided it were clearly understood that share of the preliminary sum to be attributed to each of the participating countries should not be accepted as a precedent or index of the share of the capital which should eventually be taken up.

The conference agreed to approve—

- (i) The draft resolution regarding the establishment of an international corporation with affiliated national corporations (see Appendix 2 and A.J. 336).<sup>16</sup>
- (ii) The proposals for establishing better economic conditions in Europe (A.J. 329)<sup>16</sup> on the understanding that certain additions would be made to complete the memorandum attached thereto relative to the organisation of work of European reconstruction.

<sup>13</sup> See No. 14, Appendix.

<sup>14</sup> See No. 16.

<sup>15</sup> Not printed. For the resolution passed by the Supreme Council, see Appendix 2, below.

<sup>16</sup> No. 16, Appendices 1 and 2.

Due note was taken of the reservation made by the French delegation in regard to the participation of the capital of the corporation.

*(The meeting adjourned at 7.30 p.m.)*

*Carlton Hotel, Cannes, January 10, 1922*

#### APPENDIX 1 TO No. 19

##### LETTER OF INVITATION TO RUSSIA<sup>17</sup> ONLY

*As Revised at the Meeting of the Allied Conference, held at 6.15 p.m. on Tuesday, January 10, 1922*

(A.J. 330.)

On behalf of the Supreme Council of the Allied Powers, I have the honour to transmit to you a copy of a resolution passed by the Allied Powers in conference at Cannes on the 6th January, 1922.

In accordance with this resolution and with reference to M. Chicherin's telegram dated the 8th January, 1922, I hereby formally invite delegates from Russia to attend an economic and financial conference to be opened at Genoa early in March 1922.

I shall be glad if you will inform me of the names of your delegates and their staff, and on receipt of this information and a statement of the route by which your delegates propose to travel, I shall communicate with the interested Governments and inform you of the arrangements made, in order to afford them all necessary facilities and safe conduct.

The Supreme Council, conscious that you recognise the importance which it attaches to the assurances and guarantees which it has laid down as indispensable to the useful co-operation of the Allied Powers with Russia in the task of the economic and financial reconstruction of Europe, learns with satisfaction that you propose to send representatives with full powers to take decisions.

*Cannes, January 10, 1922*

#### APPENDIX 2 TO No. 19

*Resolution<sup>17</sup> passed by the Supreme Council at its Meeting on January 10, at 6.15 p.m.*

(A.J. 336. Final.)

The Supreme Council approves the establishment of an international corporation with affiliated national corporations for the purpose of the economic reconstruction of Europe and the co-operation of all nations in the restoration of normal prosperity and agrees that a committee shall be immediately constituted, composed of two British, two French, two Italian, two Belgian representatives, and a Japanese representative, with power to add representatives of other countries:

1. To examine the project in detail.
2. To conduct any necessary preliminary investigations.

<sup>17</sup> The letter of invitation to Russia, and the Resolution of the Supreme Council are printed in Cmd. 1621 (1922) *Resolutions Adopted by the Supreme Council at Cannes, January, 1922, as the Basis of the Genoa Conference*, pp. 3-4 and 5-6.



3. To proceed with the organisation of the proposed corporation and affiliated corporations with a view to its beginning operations at the earliest possible moment.
4. To report to the Genoa conference on the progress made.
5. To make any recommendations to any of the Governments concerned or to the Genoa conference which in their view are likely to assist the purposes of the corporation or of the Genoa conference.

The Governments represented on the Council undertake to provide immediately in equal shares £10,000 for the work of the Organising Committee, and to give all the support and assistance in their power to the Organising Committee and to the corporation when formed.

*January 10, 1922.*

## No. 20

I.C.P. 231] *British Secretary's Notes of a Meeting of the Committee to Arrange Details of the Genoa Conference, held at the Cercle Nautique, Cannes, on Wednesday, January 11, 1922, at 11 a.m.*

PRESENT: *Belgium*: M. Theunis, M. Jaspar; EXPERT: M. Delacroix.

*British Empire*: The Rt. Hon. Sir R. Horne, G.B.E., K.C., M.P.  
(*in the Chair*); EXPERTS: Mr. E. F. Wise, Mr. S. D. Waley;  
SECRETARIES: Mr. T. Jones, Major Caccia.

*France*: EXPERTS: M. Seydoux, M. Laroche; SECRETARY: M. Massigli.

*Italy*: Marquis della Torretta; EXPERTS: Signor Jung, Signor Giannini, Signor Bussetti; SECRETARY: Signor Rocco.

*Japan*: Baron Hayashi; SECRETARIES: M. Tokugawa, M. Nishizawa.  
INTERPRETER: M. Bressy.

### *Agenda for Genoa Conference.*

M. LAROCHE said that he had been charged by M. Loucheur, who had been detained on important business, to replace him. In the circumstances, he would ask Sir Robert Horne to take the chair.

SIR ROBERT HORNE, having taken the chair, said that the French delegation had circulated an alternative outline agenda, which in the main followed very closely the lines of the one he had put forward yesterday.<sup>1</sup> It did, however, contain certain additions and alterations which, in some respects, were an improvement on the British proposals. Each member of the committee had received a copy of the French agenda, which he proposed should be taken as the draft text to be brought under discussion at that meeting.

#### *Item 1.*

Under the French text the first item on the paper had been amended to read: 'Examination of the methods of putting into practice the principles

<sup>1</sup> No. 15, n. 6.

contained in the Cannes resolution of the 6th January, 1922.' He (Sir Robert Horne) considered that to be a better way of expressing the views of the committee. He suggested therefore that the revised text should be adopted.

(This was agreed to.)

*Item 2.*

After a decision had been taken that item 2 should read 'Essential conditions for re-establishment of confidence,' considerable discussion took place at various times during the meeting in regard to the various subjects which might be raised under that heading.

M. LAROCHE suggested that items 1 and 2 should be united to read: 'Examination of the methods of putting into practice the principles contained in the Cannes resolution of the 6th January, 1922, with a view to re-establishment of confidence.'

SIR ROBERT HORNE explained that item 1 dealt merely with the conditions under which trade with Russia would be resumed. The resolution therein referred to had been addressed to Russia alone. On the other hand, item 2 would open out a wide field of enquiry without any particular reference to Russia. Under the latter item such questions as inter-Allied indebtedness would come under discussion. The necessity for some reduction of indebtedness might be contemplated as a means to the re-establishment of commerce. He would beg the committee not to narrow in any way the second item as set forth in the agenda paper.

M. JASPAR suggested that items 2 and 5, dealing with exchanges, might be united.

SIR ROBERT HORNE pointed out that items 2 and 5 did not necessarily cover the same ground. The re-establishment of confidence would undoubtedly affect exchanges; but under that heading other far larger questions might also be raised. It had been agreed at yesterday's meeting<sup>2</sup> to deal separately with exchanges, and, though the question of inter-Allied indebtedness could not be entered as a separate item, to avoid raising the susceptibilities of the United States of America, it had been decided that it would constitute one of the most vital 'conditions for re-establishment of confidence'.

SIGNOR JUNG supported Sir Robert Horne's views in regard to separating item 2, dealing with 'Conditions for re-establishment of confidence,' and item 5, dealing with exchanges.

M. LAROCHE said that he felt compelled to withhold his approval to item 2 for the reason that he had received formal instructions from his Government to prevent the inclusion of any item on the agenda paper which might lead to the question of reparations being raised at the Genoa conference.

SIR ROBERT HORNE hoped that M. Laroche would be able to see his way to withdraw his reservation. It was essential that an outline agenda should be agreed to on that day so that a committee might forthwith be set up to

<sup>2</sup> See No. 15.

develop the same. He thought that M. Laroche might reserve the precise method of statement for discussion by that committee.

M. LAROCHE said that under those conditions he would propose to add the words 'to be defined by the agenda committee' at the end of item 2.

SIR ROBERT HORNE, later, expressed the view that perhaps unnecessary apprehension had been evinced in regard to the inner meaning of item 2. The view had been expressed at yesterday's meeting that an opportunity should be given to have a general discussion on the conditions necessary for the restoration of commerce.

M. LAROCHE said that he would be quite frank in the matter. He feared that under the item, as at present drafted, it might be possible for the Genoa conference to raise the whole question of reparations, leading on to the necessity for a reconstruction of the Versailles Treaty. The fear could not be excluded that Germany, supported by Russia, might discuss the effect on the re-establishment of confidence of the arrangements reached at Cannes in regard to reparations, and such discussion would naturally be followed by a criticism of the Treaty of Versailles and proposals for its revision.

Consequently, in drafting the item under consideration, great care should be taken to employ a phraseology which would definitely remove any chance of the question of reparations being raised. To give effect to his views, he would propose the following reading: 'Essential conditions for re-establishment of confidence within the limits of existing treaties.'

SIR ROBERT HORNE enquired whether France intended to disallow any discussion in regard to the effects created by the form in which reparations were being exacted.

M. LAROCHE replied that reparations constituted an inter-Allied question which could only be discussed by the Supreme Council.

SIR ROBERT HORNE agreed that the Genoa conference could not dictate to the Supreme Council in regard to the form which reparations should take. But, that conference could point out that certain effects might be due to the form or extent of the reparations exacted. He did not think the conference could be prevented from discussing such questions. The economic conference could not alter the Treaty of Versailles, but, in considering the present condition of Europe, it would be impossible to blind oneself to the effects of reparations. It was obvious, for instance, that Germany could not do certain things on account of reparation payments.

M. LAROCHE maintained that the French delegation merely wished to prevent a discussion taking place at Genoa which might lead to the passing of a resolution on the question of reparations.

M. SEYDOUX added that the Supreme Council had at Cannes agreed to a plan of reparations,<sup>3</sup> and France did not intend that the Genoa conference should impose a new plan on her.

After some further discussion, it was agreed—

To revise item 2 to read 'Essential conditions for the establishment of confidence within the limits of existing treaties.'

<sup>3</sup> See No. 9.

*Item 3.*

SIR ROBERT HORNE said that he noted that the French delegation suggested the substitution of the words 'financial and monetary questions' in place of 'public finance and national expenditure'. He would ask M. Laroche to explain the object of the amendment.

M. LAROCHE explained that it was intended to prevent the Genoa conference from entering into a discussion of the details of national budgets. For instance, under 'national expenditure' the conference might be tempted to take up such political questions as armaments.

SIR ROBERT HORNE maintained that extravagant national expenditure constituted one of the impediments to reconstruction. It would therefore be difficult to discuss the question of reconstruction without referring to the national expenditure of different countries.

After further discussion, it was agreed—

To amend item 3 to read 'Public finance in relation to reconstruction.'

Items 4 to 14 were agreed to with slight amendments.

(For full text of agenda as finally approved, see Appendix I (A.J. 333).)

(*The meeting adjourned at 12 noon.*)

*Carlton Hotel, Cannes, January 11, 1922*

APPENDIX I TO NO. 20

*Outline Agenda for Genoa Conference agreed by Committee on Conference, held at the Cercle Nautique, 11 a.m., January 11, 1922*

(A.J. 333.)

1. Examination of the methods of putting into practice the principles contained in the Cannes resolution of the 6th January.
2. Essential conditions for re-establishment of confidence within the limits of existing treaties.
3. Public finance in relation to reconstruction.
4. Currencies.
5. Exchanges.
6. Central banks and banks of issue.
7. Facilities and guarantees for the import and export of commercial products.
8. Transport.
9. Organisation of public and private credits.
10. Legal guarantees for the re-establishment of commerce.
11. Technical assistance for industrial reconstruction.
12. Consuls.
13. Protection of industrial property and copyrights.
14. Admission of foreigners for the conduct of business.

*Cannes, January 11, 1922*

## No. 21

I.C.P. 232] *British Secretary's Notes of an Allied Conference held at the Cercle Nautique, Cannes, on Wednesday, January 11, 1922, at noon*

PRESENT: *America*: Colonel Harvey, Ambassador in London; SECRETARY: Mr. le Clercq.

*Belgium*: M. Theunis, Prime Minister; M. Jaspar, Minister for Foreign Affairs; EXPERT: M. Delacroix; SECRETARY: M. Gutt.

*British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; The Rt. Hon. Sir R. Horne, G.B.E., K.C., M.P., Chancellor of the Exchequer; The Most Hon. the Marquess Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; The Rt. Hon. Sir L. Worthington-Evans, Bt., M.P., Secretary of State for War; EXPERTS: Sir B. Blackett, Mr. Wise, Mr. Waley; REPARATION COMMISSION: Sir J. Bradbury; SECRETARIES: Mr. T. Jones, Mr. St. Quentin Hill, Mr. Vansittart.

*France*: M. Briand, President of the Council (*in the Chair*); M. Loucheur, Minister for the Liberated Regions; EXPERTS: M. Seydoux, M. Laroche, M. Tannery; SECRETARIES: M. Massigli, M. Bressy.

*Italy*: Signor Bonomi, Prime Minister; Marquis della Torretta, Minister for Foreign Affairs; Signor de Nava, Minister of the Treasury; Signor Raineri, Minister of Redeemed Provinces; EXPERT: Signor Giannini; SECRETARIES: Signor Brambilla, Signor Buti, Signor Rocco.

*Japan*: Baron Hayashi, Ambassador in London.

INTERPRETER: M. Mathieu.

### 1. *Meeting between the Reparation Commission and the German Delegation.*

M. BRIAND stated that he was sure that he expressed the feelings of all present in congratulating Mr. Harvey on his speedy recovery.<sup>1</sup> He was very glad to see Mr. Harvey at the meeting of the Supreme Council once more.

The Supreme Council would this morning consider the question of reparations. The German delegates had arrived, and he desired to make a proposal to the Supreme Council. It would be remembered that after Germany had announced that it would be impossible for her to comply with the schedule of payments, the Germans had been invited to make recommendations. They had gone to Paris and had refused to give any reply there to the Reparation Commission on the ground that the various Governments were dealing with the problem. They stated that they preferred to await the decisions of the Cannes Conference.<sup>2</sup> The line taken by the German Government might prove a dangerous one, as it could be regarded as ousting the Reparation Commission. It was the proper body to receive the reply of the German Government. The French delegation, therefore, desired to suggest

<sup>1</sup> See No. 14.

<sup>2</sup> See No. 9, minute 1.

that the Reparation Commission should hear the Germans first, and then make recommendations to the Supreme Council.

MR. LLOYD GEORGE and SIGNOR BONOMI agreed.

The conference agreed—

- (1.) That the Reparation Commission should be requested to hold a meeting with the German delegation at 5 p.m. the same afternoon, and to report the result of that meeting to the Supreme Council.
- (2.) That arrangements for the meeting at 5 p.m. should be made by the secretariat of the conference.

## *2. Report of the Committee on the Economic Conference.*

M. BRIAND suggested that the conference should next be informed of the decisions of the committee which had sat that morning to discuss the agenda of the forthcoming Economic Conference. (The discussion of this committee is recorded in I.C.P. 231.)<sup>3</sup>

SIR ROBERT HORNE explained that the committee appointed to draft the agenda for the meeting of the Economic Conference in Genoa had allotted a series of topics for discussion. These topics did not constitute actually the agenda, the nature of which would have to be worked out with a committee of the five nations interested.

Sir Robert Horne then read to the conference the proposed subjects for discussion at the Genoa Conference, as redrafted by the committee. (The redraft is circulated as A.J. 333, and is attached as Appendix I<sup>4</sup> to these minutes.)

MR. LLOYD GEORGE proposed that the suggested agenda for the Genoa Conference should be discussed at the Supreme Council. He was not sure whether from this agenda it was clear that the Supreme Council contemplated bringing about an understanding and an arrangement between all European Powers which would guarantee nations from fear of aggression by their neighbours. This was referred to in the resolution passed by the Supreme Council on Friday, the 6th January, 1922. (See sub-section 6 of section 3 of the conditions in Appendix I to I.C.P. 221.)<sup>5</sup> A European guarantee of peace was essential, and it would be most desirable if the Genoa Conference could obtain from Russia an undertaking not to indulge in aggression against Germany, Czechoslovakia or Finland, and for those countries to abstain from aggression against Russia. Further, a guarantee should be obtained from Germany that she should not disturb the peace of those countries situated on her eastern frontiers; and the successor States to the Austro-Hungarian Empire should also give a guarantee that they would not wage war against each other. Further, the Balkan States should guarantee to keep the peace. Thus the Genoa Conference would accomplish something very much more than economic agreement. He was not quite sure whether the proposed agenda made this quite clear. In fact, some phrases in the agenda

<sup>3</sup> No. 20.

<sup>4</sup> Not here printed; it is given as Appendix to No. 20.

<sup>5</sup> No. 6, Appendix.

might be interpreted as limiting the discussion. For instance, the phrase 'within the limits of the existing treaties' in item 2 was a distinctly limiting phrase. He hoped that the Genoa Conference would be able to go beyond existing treaties. He agreed that the item without these words might allow Germany to reopen the question of reparation. He, personally, had no objection to them. He wanted it to be made clear that there was nothing to prevent the Genoa Conference discussing the general peace; in fact, one of the objects of the conference was to discuss a great European *entente*. Why should not the establishing of a European peace on a firm basis be placed as a separate item?

M. BRIAND and SIGNOR BONOMI agreed.

M. LOUCHEUR suggested that the following words should be added to item 1 on the agenda: 'An examination of the political application of the principles laid down at the Cannes Conference, and in particular of the sixth resolution concerning the establishing of a European peace.'

MR. LLOYD GEORGE pressed that this subject should be referred to separately in the agenda.

M. JASPAR suggested that the following words should be added to item 1 on the proposed agenda: 'An examination of the political application of the sixth resolution taken at Cannes and of the other resolutions.'

MR. LLOYD GEORGE then referred to the other items on the proposed agenda, and stated that they were all part of the Cannes resolution, and had been given separate headings. Peace was the most important item on the agenda, and should also be given a separate heading and come first on the agenda. European peace was the basis of economic reconstruction. It would be impossible to expect capital to be subscribed for economic purposes unless peace were obtained as a basis. The question of a European peace should be put first on the agenda.

M. THEUNIS suggested that the proposed order on the agenda paper might lead to the inference that the question of European peace was only one among many important subjects, whereas it was by far the most important. He thought that items 3, 4, 5 and 6 formed one group of subjects, and items 8, 9, 10 and 11 formed another group, but peace was a precedent condition of them all.

MR. LLOYD GEORGE agreed.

M. BRIAND accepted the proposal on behalf of the French delegation. He clearly saw that the [committee] had not mentioned in the programme which it had prepared the question alluded to in article 6 of the resolution of the 6th January.<sup>5</sup> This question was of capital importance. It had the closest connection with European politics and its inclusion in the programme would be likely to produce a great impression on all nations. Though the frontiers and the reciprocal relations of certain countries might be clearly regulated by the Treaty of Peace, it was by no means the same with certain other countries who were at the mercy of certain attacks and whose frontiers were extremely vulnerable. If the conference at Genoa should summon nations such as Russia and Roumania not to commit any act of aggression on

their neighbours, it was certain that the condition of Europe would be singularly improved and consolidated.

MR. LLOYD GEORGE stated that it would be a great step in advance if the small Powers could be persuaded not to engage in military operations against their neighbours without first applying to the other European Powers. If any form of conference were imposed between the threat and the attack, there would be no war.

M. BRIAND then referred to the Treaty of Versailles, and pointed out that under this treaty it might be necessary to take steps to complete the execution of the terms of the treaty. These steps could not be regarded as acts of war, they would be merely acts of constraint. The Allies must not admit that the European Powers as a whole could intervene in the execution of a treaty of which they were not signatories.

MR. LLOYD GEORGE agreed, and again referred to item 2 of the proposed agenda, and suggested that in place of the words 'within the limits of existing treaties' the following words should be substituted, 'without injury to existing treaties'.

M. BRIAND and M. THEUNIS agreed.

M. LOUCHEUR suggested that a small committee should meet to re-draft the agenda.

SIR ROBERT HORNE pointed out that the list before the Supreme Council was really only a statement of subjects of discussion, from which an agenda could be framed. A small committee would be set up to work from now onwards on the definition of the agenda.

MR. LLOYD GEORGE stated that if the list of subjects were to be published, he would like to have some general words attached to it which would appeal more to the public than the bare technical expressions.

M. LOUCHEUR suggested that two documents should be drawn up: (1) a statement for the public; and (2) a document for the experts, and that the proposed committee should draft these documents.

MR. LLOYD GEORGE emphasised his desire to explain to the public the problems which the Genoa Conference would consider.

M. JASPAR suggested that the press should be informed that the Genoa Conference was the best means of establishing peace in Europe. The particular methods of doing so were as follows:— then the agenda papers should be quoted.

MR. LLOYD GEORGE said that, in his opinion, the question of establishing European peace should figure first on the agenda paper.

M. BRIAND suggested that the statement for the press should contain declarations in general terms. First, reference should be made to the present state of Europe, then the steps necessary for the re-establishing of Europe should be explained, and then at the end there should be a list of the particular subjects which the Genoa Conference would study.

MR. LLOYD GEORGE remarked that the only thing which would commend the document to Colonel Harvey was, he thought, that it contained fourteen points.



The conference agreed—

- (1.) That the following committee: M. Jaspar, M. Laroche, Sir Robert Horne and Marquis della Torretta, should meet to draft an announcement to be made to the press regarding the Genoa Conference, in accordance with the foregoing discussion.<sup>6</sup>
- (2.) To accept Mr. Lloyd George's proposal that the wording of the second item on the agenda paper for the Genoa Conference should be altered to read as follows:—

‘The essential conditions for the re-establishing of confidence without injury to existing treaties.’

NOTE.—The announcement to the press and the list of subjects for the agenda for the Genoa Conference are circulated as A.J. 334 and 335, which are the documents approved by the committee referred to above. They are also reproduced as appendices to these minutes.

### 3. *Statement by M. Briand.*

M. BRIAND stated that he regretted that he would be obliged to return to Paris, but he hoped to be back in Cannes on Friday morning. In the meantime he asked Mr. Lloyd George to undertake the chairmanship of the conference.

MR. LLOYD GEORGE stated that he would be happy to comply with M. Briand's request.

*(The conference adjourned at 1.15 p.m.)*

*Carlton Hotel, Cannes, January 11, 1922*

## APPENDIX II TO NO. 21

### *Conference of Genoa*

(A.J. 334.)

The Supreme Council have to-day agreed upon the subjects to be discussed at the conference which is to be called at Genoa early in March, in order to facilitate the economic revival of Europe.

#### *General Objects and Conditions*

The published resolution of the council of the 6th January explains the reasons which in the unanimous opinion of all the nations represented on the council make necessary a united effort by all European countries to restore the economic life of Europe and to remove the obstacles which at present impede it; and the fundamental conditions of such a combined effort. These include the recognition by all countries of their public debts and compensation for loss or damage caused by the action of Governments; financial and currency conditions which offer

<sup>6</sup> A Ministerial Drafting Committee consisting of M. Theunis, M. Jaspar, Sir R. Horne, M. Loucheur, and Signor Rainieri met at the Cercle Nautique that day at 5 p.m. It appointed an expert committee composed of Vicomte Davignon, Mr. S. D. Waley, M. Seydoux, Signor Jung, and M. Tokugawa, to consider in detail the agenda for the conference. The British Secretary's notes of this meeting (I.C.P. 232A) are not here printed.

reasonable security for trade and peace amongst nations. Among the essential objects of the conference will be the consideration of the practical measures required to give effect to these principles, and in particular to secure, without injury to the provisions of existing treaties, the essential conditions for the re-establishment of confidence between nations without which international commerce cannot survive.

### *Peace*

The first condition which is of prime importance in the reconstruction of Europe is to establish the relations of all the countries on the basis of a stable and enduring peace.

### *Financial Subjects*

The conference will also discuss the financial conditions which impede revival and the financial measures which might assist it; in particular, the financial situation in the several countries in relation to the task of reconstruction; the rapid variation in the amount and purchasing power of the national currencies; the violent fluctuations in the relative value of the currencies of different countries as reflected in the exchanges; and the bearing upon these problems of the position and status of central banks and banks of issue. The conference will examine the conditions under which public or private credit can best be made available for the work of reconstruction.

### *Economic Subjects*

The obstacles to revival, however, are economic as well as financial. The conference will, therefore, consider how the existing impediments to the free interchange of the products of different countries can be removed, in particular by the abolition, as rapidly and completely as possible, of such new impediments as have resulted from post-war conditions. The improvement and development of the transport system will engage special attention; and among other questions which might be usefully examined are the security afforded by the laws and by the legal systems and commercial documents in the different countries; the provision of expert and technical assistance by countries specially qualified to give it; the position of consular officers; the protection of copyrights; and the regulations governing the admission of foreigners for the purpose of carrying on business.

*January 11, 1922*

## APPENDIX III TO NO. 21

### *Outline Agenda for Genoa Conference<sup>7</sup>*

(A.J. 335. Final.)

1. Examination of the methods of putting into practice the principles contained in the resolution reached at Cannes on the 6th January, 1922.
2. The establishment of European peace on a firm basis.
3. Essential conditions for re-establishment of confidence without injury to existing treaties.
4. Financial subjects:—
  - (a) Currencies.

<sup>7</sup> This Agenda is printed in Cmd. 1621 (1922), pp. 4-5.

- (b) Central banks and banks of issue.
- (c) Public finance in relation to reconstruction.
- (d) Exchanges.
- (e) Organisation of public and private credit.

5. Economic and commercial subjects:—

- (a) Facilities and guarantees for the import and export of commercial products.
- (b) Legal guarantees for the re-establishment of commerce.
- (c) Protection of industrial property and copyrights.
- (d) Status of consuls.
- (e) Admission and position of foreigners in regard to the conduct of business.
- (f) Technical assistance to industrial reconstruction.

6. Transport.

*Cannes, January 11, 1922*

**No. 22**

I.C.P. 233] *British Secretary's Notes of an Allied Conference held at the Cercle Nautique, Cannes, on Thursday, January 12, 1922, at 11.30 a.m.*

**PRESENT: America:** Colonel Harvey, Ambassador in London; **REPARATION COMMISSION:** Mr. Boyden; **SECRETARY:** Mr. le Clercq.

**Belgium:** M. Theunis, Prime Minister; M. Jaspar, Minister for Foreign Affairs; **EXPERT:** M. Bemelmans; **REPARATION COMMISSION:** M. Delacroix; **SECRETARIES:** Viscount Davignon, M. Gutt.

**British Empire:** The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (*in the Chair*); The Rt. Hon. Sir R. Horne, G.B.E., K.C., M.P., Chancellor of the Exchequer; The Most Hon. the Marquess Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; The Rt. Hon. Sir L. Worthington-Evans, Bt., M.P., Secretary of State for War; **EXPERTS:** Sir B. Blackett, Mr. Waley, Mr. Wise; **REPARATION COMMISSION:** Sir J. Bradbury, Mr. Salter; **SECRETARIES:** Mr. Jones, Mr. St. Quentin Hill, Major Caccia, Sir E. Grigg.

**France:** M. Loucheur, Minister for the Liberated Regions; **EXPERTS:** M. Laroche, M. Seydoux, M. Avenol, M. de Felcourt, M. Aron, M. Minost; **REPARATION COMMISSION:** M. Dubois; **SECRETARIES:** M. Massigli, M. Bressy.

**Italy:** Signor Bonomi, Prime Minister; Marquis della Torretta, Minister for Foreign Affairs; Signor de Nava, Minister of the Treasury, Signor Raineri, Minister of Redeemed Provinces; **EXPERT:** Signor Giannini; **REPARATION COMMISSION:** Signor Salvago Raggi, Signor d'Amelio; **SECRETARIES:** Signor Brambilla, Signor Rocco, Signor Buti.

*Japan:* Baron Hayashi, Ambassador in London; *EXPERT:* M. Sekiba; *SECRETARIES:* M. Tokugawa, M. Kato.  
*INTERPRETER:* M. Mathieu.

(The Members of the Reparation Commission attended the Meeting.)

*Report by Reparation Commission.*

MR. LLOYD GEORGE informed the Conference that the German Delegates had been summoned to attend at 12 noon. He would like a report to be given by the Reparation Commission of the interview which the Commission had had last night with the German delegates, in order that the Conference might decide what to say to the German delegates when they arrived.

M. DUBOIS stated that the Reparation Commission had received the German delegates, yesterday, at 5 p.m., in accordance with the request of the Supreme Council.<sup>1</sup> The position of the Reparation Commission *vis-à-vis* the German Government was as follows:—

On December 2nd, 1921, after various studies had taken place of the situation, and after the Committee of Guarantees had paid two visits to Berlin, and the Reparation Commission had paid one visit to Berlin,<sup>2</sup> the Reparation Commission despatched a letter<sup>3</sup> to the German Government enquiring as to the measures which the German Government proposed to take in order to make payment of the instalments due in respect of Reparations on January 15th and February 15th next. In that letter the Reparation Commission suggested various measures which they thought should be taken to re-establish the financial position of Germany. On December 14th, the German Government replied<sup>4</sup> but made no mention of the measures referred to by the Reparation Commission. The letter from the German Government asked for a postponement in regard to the payments due on January 15th and February 15th. It stated that the German Government could only pay a part of these instalments, and that there were difficulties in regard to the payment of later instalments.

On the 16th December,<sup>5</sup> the Reparation Commission applied [*sic*] to the German Government saying that before examining the application of the German Government for a postponement, it was indispensable that the German Government should furnish replies to the following questions:—

1. What were the amounts which Germany could pay on the 15th January and the 15th February?
2. What was the delay which they asked for in regard to the payment of the remaining instalments?
3. What were the guarantees which the German Government could furnish against a recurrence of further defaults?

Instead of answering these questions, the German Government asked the Reparation Commission to receive a deputation so as to obtain explanations

<sup>1</sup> See No. 21, minute 1.

<sup>2</sup> See Vol. XVI, Nos. 733 and 741.

<sup>3</sup> Dated December 2. For the text, see *Reparation Commission* III, op. cit., no. 4.

<sup>4</sup> Ibid., no. 5.

<sup>5</sup> Ibid., no. 6.

in regard to the commission's letter of the 16th December. These explanations were said to be necessary in order that a reply might be given to the commission's letter. An audience was granted, and at it the German delegates asked the Reparation Commission whether they insisted on the German Government giving an immediate answer to the commission's letter of the 16th December. The German delegates added that they put this question because they had heard of certain agreements which had been reached between the Allies on the subject of reparation. The Reparation Commission replied that the German Government was the sole judge of the question whether it should or should not reply to the letter of the 16th December, but that they could not consider any demand for postponement of payment of reparations without first receiving a reply to their letter of the 16th December. To this the German delegates replied<sup>6</sup> some days after that there was no need to answer that letter before the meeting of the Supreme Council took place at Cannes, and in view of the meeting at Cannes they did not propose to give the information asked for by the Reparation Commission.

It so happened that when the Supreme Council met at Cannes, the various members of the Reparation Commission were in Cannes, having been summoned there by their respective Governments. It was therefore possible to hold a meeting of the commission at Cannes, in accordance with the request of the Supreme Council. The Reparation Commission held that meeting on the 11th January, at 5 p.m., and Herr Rathenau had answered the questions put to the German Government in the commission's letter of the 16th December. The answers were as follows:—

1. To the question as to what cash Germany could pay on the 15th January and 15th February, the reply was that on the 15th January 76,000,000 gold marks could be paid, and on the 15th February 93,000,000 gold marks could be paid. This sum could be obtained by a levy in foreign currencies on German exports, and was at the rate of 31,000,000 gold marks every ten days from the 1st January.
2. The reply to the question what delay the German Government wished to be allowed in respect of the payment of the remaining instalments, was that the German Government could not give any decision.
3. As regards the question as to what guarantees the German Government could furnish against a recurrence of default, the German delegation had stated that the German Government proposed to make all possible efforts to improve the financial situation of Germany. They intended to raise the German taxes, and if the scheme which had not yet been voted was voted by the Reichstag, the resources of the German Reich would be doubled. The German Government also proposed to put an end to the deficit on the railways, posts and telegraphs, and the German delegates made a firm promise that the German Government would abolish subsidies to railways, posts and telegraphs. This would be done for the year 1922. The German delegates also promised that the German Government would increase the price of bread.

<sup>6</sup> On January 3, 1922 (see *ibid.*, no. 8).

As regards coal, which was also mentioned, the German delegates expressed the opinion that at present they thought it useless to increase still further the internal price of coal.

M. LOUCHEUR, interposing, stated that he thought the German Government had already increased the price of coal.

M. DUBOIS, continuing, stated that the German delegates had mentioned no other guarantees.

After receiving these replies, the Reparation Commission had gone into the situation for the whole year 1922, and the chairman of the commission had asked the German delegates what Germany could undertake to pay in cash and in kind in the year 1922. The German delegates had answered that it was impossible to reply to M. Dubois's question, as it was indispensable for them to know before doing so what was the amount of deliveries in kind which the French Government would ask for, in accordance with the Wiesbaden Agreement and other agreements.

M. Dubois concluded by saying that the above was the substance of the reply made by the German delegates.

M. LOUCHEUR stated that he thought there was nothing to be added to M. Dubois's statement, and he suggested that the German delegates should be asked when they arrived to make an *exposé* of their situation.

SIGNOR BONOMI agreed.

MR. LLOYD GEORGE suggested that the German delegates should simply be asked what they had to say.

(The conference then adjourned for 10 minutes, pending the arrival of the German delegates.)

The conference reassembled at 12.10 p.m., after the arrival of the German delegation which was composed as follows:—

*Delegates.*

Reichsminister a[usser] D[ienst] Rathenau (*Chairman*).

Staatssekretär Schroeder.<sup>7</sup>

Staatssekretär Hirsch.<sup>8</sup>

Staatssekretär a. D. Bergmann.<sup>9</sup>

Staatssekretär Fischer.<sup>10</sup>

*Experts.*

Ministerialdirektor Trendelenburg.

Legationsrat Martius.

Regierungsrat von Oertzen.

Regierungsrat Dr. Michaelis.

MR. LLOYD GEORGE said that the Supreme Council had invited the German Government to send a delegation to Cannes to confer in regard to

<sup>7</sup> Secretary of State in the German Ministry of Finance.

<sup>8</sup> Secretary of State in the German Ministry of Economic Affairs.

<sup>9</sup> See No. 9, n. 8.

<sup>10</sup> Chairman of the *Kriegslastenkommission*.

the situation which had arisen owing to the failure of Germany to carry out the terms of the London Project of the 5th May,<sup>11</sup> which had been duly accepted by her. In accordance with that invitation the present meeting was being held. The Supreme Council was fully alive to the difficulties which Germany experienced in common with the rest of Europe, but it would like to hear from the German delegates why the German Government could not comply with the terms of the London Project, and what their proposals might be in reference to future payments.

The Supreme Council fully realised the difficulties inherent in existing world conditions, but it was convinced that there were other difficulties for which the German Government themselves were responsible, and the Supreme Council drew a very clear distinction between the two. He referred to the failure of the German Government to balance its budget. The Supreme Council felt convinced that this failure could be attributed in the main to a failure of the German Government adequately to tax its population, and to the contribution of subsidies to railways, bread, &c. In his own country, in spite of the fact that they had unemployment on an unparalleled scale (over two millions unemployed), they were still as a population making prodigious efforts to balance their budget. Therefore the Supreme Council felt that the Germans should call on their people to make the same sacrifices which the people of the Allied countries were required to make.

Dr. Rathenau had received copies of the general suggestions of the Supreme Council in reference to guarantees and control in the future.<sup>12</sup> The Supreme Council would very much like to hear from Dr. Rathenau what the German Government proposed to do in reference to payments for the current year, and, what is more important, what they intended to do to place the country in a position to discharge the obligations previously undertaken.

DR. RATHENAU, having obtained permission to speak, thanked the Supreme Council, in the name of the German Government, for convoking the German delegation to Cannes. The German delegation fully recognised the importance of the weighty task which the conference had to discharge in attempting to reconcile two vitally opposed questions—the capacity of Germany to pay, and the large payments due. He desired at the outset to assure the Supreme Council that the German delegation had come to that meeting with the intention of giving full and true answers to all questions which might be put to them, and to co-operate in the performance of all tasks which might be dealt with by the conference. Furthermore, he would not like this opportunity to pass without thanking the French Government for the very cordial reception the German delegates had received in Cannes, and for having received them as guests.

Dr. Rathenau, having obtained permission to make his statement in the French language, without prejudice to the language to be used in the dis-

<sup>11</sup> i.e. the Schedule of Payments; see No. 7, n. 7.

<sup>12</sup> See *Documents Relatifs aux Réparations*, Tome Premier (Paris, *Ministère des Affaires Étrangères*, 1922), No. 20(1).

cussions which might subsequently arise thereon, continuing, said that the German delegation had been made aware of the fact that a whole series of questions would be put to them. He understood these to include:—

1. The amount of cash payments and deliveries in kind which Germany would be expected to make during the current year, without being crippled in any way.
2. Measures to put German finances in order.
3. Measures of control and guarantees to be given by Germany.
4. Eventual co-operation of Germany in economic reconstruction of Europe.

In this connection he would preface his remarks by saying that Germany would be prepared to go to the limits of her economic capacity in carrying out her policy of fulfilment in regard to her engagements. Germany had always been a country of order; she realised that the state of her finances constituted a danger to herself and to the world; she desired to introduce reforms for reconstituting the same. But, the Supreme Council should not forget how severely Germany had been crippled by the l[a]st war, and the heavy losses she had suffered, and the revolutions which had followed.

He fully recognised the fact that the economic situation of Germany acted as an impediment to the re-establishment of commerce throughout the world, and she fervently desired to co-operate in the economic reconstruction of all countries, and she would not raise any difficulties in that connection. He felt compelled, however, to ask the Supreme Council not to overlook the fact that task 1 (covering payments of large sums by Germany) and task 2 (dealing with the regulation of her finances) appeared to be in contradiction. To illustrate his meaning, he would compare the task imposed on the German Government with that of a shipbuilder who had been called upon to construct a ship to combine great speed with small consumption of coal. On the other hand, he would admit that the two questions—payments and reconstitution of finances—were closely bound together by the exchange value of the mark, also by the relation which existed between the capacity to pay and the capacity to make the necessary effort of production.

It was a difficult matter to fix the payment of a given sum at a given time, or to lay down definitely beforehand the financial measures connected therewith. It would be found impossible to say that a given sum was too big or too small, since that involved questions of values. On the other hand, it should be possible to arrive at such a sum as would obviate making it impossible for Germany to reconstruct her finances in a given time, should world conditions permit. Certain figures had, he knew, been discussed,<sup>13</sup> namely 500 million gold marks in cash and 1,450 million gold marks in kind, those figures to include the costs of occupation, payable in foreign currencies. At any rate, he proposed to take those figures as a basis for his statement. Now should the figure of cash payments be increased to 720 million gold marks, as had been suggested, the problem would thereby

<sup>13</sup> See No. 7.



become so much the more difficult. He hoped, therefore, that such an increase would not be pressed.

He wished to invite attention to the fact that Germany was a country of wage-earners; she received raw materials from abroad, and sold the articles manufactured therefrom to foreign countries. In regard to raw materials, Germany was a poor country, and, with the exception of coal, nothing else of any real value existed. Some deposits of potash were to be found—a little copper and zinc—but the fact remained that everything which she required for housing, constructing, clothing, had to be purchased abroad. Consequently, Germany had to purchase all sorts of things for which she must pay by her own products. She had lost foreign assets and the pre-war benefits accruing from trade, banking and shipping. Germany's trade, therefore, required that she should possess a credit balance in order that exports might be sufficient to pay for her imports. In other words, Germany required to export enough to pay for the importation of  $2\frac{1}{2}$  milliards of foodstuffs and  $2\frac{1}{2}$  milliards of raw materials, and these sums did not include manufactured goods and luxuries, which she was bound to accept, though not by choice, in order to obtain and continue commercial relations with neighbouring countries.

In pre-war times Germany received large sums as interest on her foreign loans, but at the present moment the German people had contracted debts abroad on which interest to the amount of  $\frac{3}{4}$  milliard had to be paid.

In reply to Mr. Lloyd George, Dr. Rathenau explained that Germany's balance sheet would at present show  $5\frac{3}{4}$  milliard gold marks as her total debits, as compared with  $3\frac{1}{2}$  to 4 milliards on account of exports, thus giving a deficit of about 2 milliards per annum.

MR. LLOYD GEORGE enquired what were the exports before the war.

DR. RATHENAU replied that the exports before the war amounted to 10 milliards as compared with  $3\frac{1}{2}$  to 4 milliards at present.

MR. LLOYD GEORGE suggested that the 10 milliards would be equivalent to 20 milliards at present prices.

DR. RATHENAU thought that 10 milliards would now be equivalent to 15 milliards.

M. LOUCHEUR pointed out that the correct figure would be 14 to 16 milliards—money in the United States now representing 1·4 of pre-war value.

MR. LLOYD GEORGE considered therefore that present exports would represent 20 to 30 per cent. of pre-war totals.

DR. RATHENAU said that a deficit of that magnitude could only be handled in three ways, namely:—

1. By selling the material wealth of the country, such as shares, real estate, furniture, &c.;
2. By raising a large foreign loan; and
3. By selling the currency of the country.

Germany had ever since the war been suffering from the sale of her material wealth. She had also endeavoured to raise a loan, but without

success. He had himself been to London for that purpose,<sup>14</sup> and he had brought back a letter from the Governor of the Bank of England to the effect that it would be impossible to raise a German loan under existing conditions. In the face of these obstacles, Germany had no choice but to sell currency, though fully realising that that meant that German currency would thus become an instrument of international speculation, with all its attendant dangers, and inevitably lead to depreciation. The sale of currency in question went on until July or August 1921. It received no encouragement from the German Government; it was carried out wholly by foreign bankers and speculators. But in the middle of 1921 there occurred a strike among the buyers of marks, at a time when the German Government found itself under the necessity to sell out 1 milliard gold marks in a few weeks—the equivalent of 30 milliard of paper marks. As a result, there followed a terrific depreciation of the mark, combined with a rise in the value of the dollar from 55 to 180. The depreciation of the mark had been chiefly attributed to the inflation which had been forced on by Germany, but that view could not be accepted as correct, the rapid fall having been due to the strike among the foreign purchasers of marks and the stoppage of speculation.

MR. LLOYD GEORGE asked what the mark stood at to-day.

DR. RATHENAU replied that it was 180 to the dollar and 700 to the £ sterling. The mark had gone as high as 1,200 to the £. Continuing his statement, he said that he wished to point out an important fact which had never been considered before. This was, that as long as the currency of a country is in an irregular condition on account of outside reasons, it is hardly possible to balance that country's budget for any considerable period. As long as the value of the currency is endangered by outside factors, the balancing of the budget is impossible. If there is a sudden fall in the value of the currency, there is an immediate and sudden rise in wages, salaries and the cost of raw materials. The budget of a country is composed of these three things, and if a rise in salaries, wages and cost of raw materials occurs, the budget is immediately in disorder. If any measures are taken to remedy this disorder, they are effective only until the next rise occurs.

The German budget was balanced for the year 1922, but if, for instance, the calculations of the German Government are disarranged by a further fall of the mark and a consequent rise of wages, salaries and the cost of raw materials, it will need great reforms on the part of the German Government to bring about fresh balancing of the budget. It is a question whether these reforms should be carried into effect by means of enormous taxation or by other means.

M. LAROCHE asked Dr. Rathenau whether the budget included sums payable for reparations.

DR. RATHENAU replied that the budget did not include reparations.

MR. LLOYD GEORGE asked at what assumed value of the mark the German budget would balance.

DR. RATHENAU replied that it was very difficult to say, for if, on the one hand, certain measures were taken to increase the income of the German

<sup>14</sup> See Vol. XVI, No. 745.

Government, on the other hand the expenditure of the German Government would increase. It was, however, possible that the budget might be balanced by a certain amount of income, and this was an important point. The German budget amounted to 83 milliards of marks, and, taking the figures due for reparations due in 1922 and the other costs imposed on Germany by the Peace Treaty, the new costs to be added to the 83 milliards would be 135 milliards. That is, the German Government would be obliged to increase their budget by 150 per cent. The total budget would amount to 218 [milliards of] marks. As, however, the exchange depended not only on internal inflation but also upon the psychology of foreign Powers and on the amount of speculation, calculation was very difficult. Every fall of the mark made it more difficult to stop the process. It must also be remembered that competition in foreign markets increased with the fall of the mark. What was the possibility of getting to a situation which would be tolerable and would allow Germany to pay off her debts? Theoretically, there were two methods of bringing this about: (1) By cutting down imports and necessities of life; (2) by increasing production and exports.

The German delegation could not say that, except for a very small amount of imports which need not be taken into calculation, the German imports could be reduced. The consumption of raw materials was dictated by the necessities of manufacturers, and the consumption of foodstuffs was dictated by the necessities of the people for food. Therefore, the solution of the question must depend on increasing production, especially agricultural production, but also industrial production.

He, therefore, begged the conference not to forget that the depreciation of the mark was not simply due to inflation, but it was due principally to the deficiency of German exports.

He desired to make an observation in regard to the procedure of the conference. He was only half way through what he desired to say, and he did not wish to exhaust the patience of the chairman and all the other gentlemen present. He would be deeply grateful if he could be allowed to place the rest of his statement before the conference at some later time.

MR. LLOYD GEORGE said that the conference had heard a very able statement from Dr. Rathenau. It was important not to restrict Dr. Rathenau in his exposition, as it was an advantage to the conference to be fully acquainted with the German point of view so that they should be in a better position to consider the questions at issue. He suggested adjourning the meeting until 3.30 p.m.

DR. RATHENAU thanked Mr. Lloyd George.

*(The conference then adjourned at 1.30 p.m. until 3.30 p.m. the same day.)*

*Carlton Hotel, Cannes, January 12, 1922*

I.C.P. 234] *British Secretary's Notes of an Allied Conference held at the Cercle Nautique, Cannes, on Thursday, January 12, 1922, at 3.30 p.m.*

PRESENT: *America*: Colonel Harvey, Ambassador in London; EXPERT: Mr. Solbert; SECRETARY: Mr. le Clercq.

*Belgium*: M. Theunis, Prime Minister; M. Jaspar, Minister for Foreign Affairs; EXPERT: M. Bemelmans; REPARATION COMMISSION: M. Delacroix; SECRETARIES: M. Gutt, Viscount Davignon.

*British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister [*in the Chair*]; The Rt. Hon. Sir R. Horne, G.B.E., K.C., M.P., Chancellor of the Exchequer; The Most Hon. the Marquess Curzon of Kedleston, K.G., Secretary of State for Foreign Affairs; The Rt. Hon. Sir L. Worthington-Evans, Bt., M.P., Secretary of State for War; EXPERTS: Sir B. Blackett, Mr. Wise, Mr. Waley; REPARATION COMMISSION: Sir J. Bradbury, Mr. Salter; SECRETARIES: Mr. Jones, Mr. St. Quintin Hill, Major Caccia, Sir E. Grigg.

*France*: M. Loucheur, Minister for the Liberated Regions; EXPERTS: M. Laroche, M. Seydoux, M. Avenol, M. de Felcourt, M. Aron, M. Minost; REPARATION COMMISSION: M. Dubois; SECRETARIES: M. Massigli, M. Bressy.

*Italy*: Signor Bonomi, Prime Minister; Marquis della Torretta, Minister for Foreign Affairs; Signor de Nava, Minister of the Treasury; Signor Raineri, Minister of Redeemed Provinces; EXPERTS: Signor Giannini, Signor Jung, Signor Giarrocca; REPARATION COMMISSION: Signor Salvago Raggi, Signor d'Amelio; SECRETARIES: Signor Brambilla, Signor Rocco, Signor Buti.

*Japan*: Baron Hayashi, Ambassador in London; EXPERT: M. Sekiba; SECRETARY: M. Kato.

INTERPRETER: M. Mathieu.

GERMAN DELEGATION: Reichsminister a. D. Rathenau, Staatssekretär Schroeder, Staatssekretär Hirsch, Staatssekretär a. D. Bergmann, Staatssekretär Fischer; EXPERTS: Ministerialdirektor Trendelenburg, Legationsrat Martius, Regierungsrat von Oertzen; INTERPRETERS: M. Godard, Dr. Michaelis.

### *Herr Rathenau's Statement.*

MR. LLOYD GEORGE asked Herr Rathenau to continue his statement.<sup>1</sup>

HERR RATHENAU replied that he would deal first with one fact which he did not know this morning, namely, that there existed a calculation made by M. Bemelmans,<sup>2</sup> which was given to him this morning, but which he was unable to read until an hour ago. He had read this calculation with the

<sup>1</sup> See No. 22.

<sup>2</sup> General secretary of the Belgian delegation to the Reparation Commission.

greatest interest. With regard to the question of German exports, as to which he had given figures this morning, M. Bemelmans in his memorandum started from the tonnage of exports in 1913, and he compared these with the tonnage of exports in 1921, without taking regard of reparations or deliveries of coal or other payments in kind. In this respect he thought M. Bemelmans was perfectly right. M. Bemelmans stated that the exports in 1921 were equal to 41 per cent. of the exports in 1913, the calculation being made in tonnage. Taking pre-war values he made a calculation, which agreed with his (Herr Rathenau's) calculations, and reached the result that German exports were about 4 milliards in the year 1921. This figure he multiplied by a coefficient of 1.5, so as to arrive at the correct value. The total result was an export of 6 milliards instead of 4.

He (M. Bemelmans) had not, however, taken account of very important facts. He suggested that German merchandise was sold in foreign countries at exactly the price current in those countries: that is, at French prices in France, and at English prices in England. This was not so. German merchandise before entering a foreign country must cross three frontiers, the moral frontier, the customs frontier and the anti-dumping frontier. This was a difficult task. He assessed the deduction of value due to the last two frontiers on German merchandise at about 25 per cent., and the deduction in value due to the moral frontier (by which he meant a prejudice against German goods) at about 8 per cent. The total figure for deduction was 33 per cent.

But this was not all. It must be realised that 25 per cent. of German goods were going to countries with depreciated currencies. He wished note to be taken of this fact, as it was a very important question, and there was another fact which should be noted, i.e., the fact that the value of exports in 1921 was being considered, that is in the year of the great depreciation of the German mark. The manufacturer who sold in March 1921, and got his money in October, received it in a depreciated currency, for the mark had fallen from between 300 to 400 per cent. between March and October. The manufacturer was obliged to receive payment mostly in German currencies, and so had to bear this loss.

MR. LLOYD GEORGE asked in what money payments were usually made.

HERR RATHENAU replied that the Germans were forced more and more to take payment in German currency. The amount of German money held abroad was very large, i.e., about 60 milliards of marks, and foreign purchasers preferred to pay in German money. He thought that this question might be discussed between the experts of the German delegation and M. Bemelmans, who had promised to examine it with the German delegation. This would afford an opportunity of going into details. He would now, with the leave of the chairman, resume the thread of his main statement.

This morning he had explained that, owing to the unfavourable trade balance of Germany, the Germans were no more masters of the value of their own currency, and they were, therefore, no more masters of their own budget. He would now speak about the internal financial problems of

Germany. The amount of the 1922 budget would be 85 milliards of paper marks, not counting the sums due for reparations and the other payments due under the Treaty of Versailles. In order to meet this burden it was necessary for the German Government nearly to double the burden of German taxation.

MR. LLOYD GEORGE asked at what Herr Rathenau put the internal value of the mark. He knew it to be considerably higher than the external value.

HERR RATHENAU replied that the internal value of the mark was between 5 and 6 per cent. of its gold value.

MR. LLOYD GEORGE stated that this would mean that the internal value of the mark was about one-twentieth of its pre-war value. This was an important point, and he would like to be quite sure of it, because the figures given by Herr Rathenau had no meaning, except in relation to the internal value of the mark in Germany.

HERR RATHENAU explained that the actual internal value of the mark was about one-twentieth of its gold value. If this calculation were applied to the German budget the result would be a little more than 4 milliards of gold marks, but he desired to draw attention to the fact that the income of the country had rapidly decreased since the war. The figures for this might appear to be better than pre-war figures, but in reality there was no relation between the two. The area of Germany had been reduced by 15 per cent. and the income of the country was far lower. This fact was expressed by the figure for which he had been asked by the Chairman at the morning meeting, i.e., the fall in German exports, which were now only one-quarter of the pre-war exports.

MR. LLOYD GEORGE stated that the reduction in the area of Germany must be taken into account, but the reports received by the Allies indicated that German workmen were fully employed and there were hardly any unemployed. German factories were all engaged and were very busy in producing wealth. If they were producing wealth at the same rate as before the war, he did not see how Herr Rathenau could say that the wealth of the country had diminished. Certainly it must be allowed that the German population was 6 or 7 millions less than before the war, but as for the rest of the country, instead of having 2 million persons producing nothing, as Great Britain had, German workmen were working at full speed. How then could the wealth of Germany have diminished? The Germans had sold their foreign securities, but so had the British. The Germans were now a debtor nation, so were the British. The British also had a heavy foreign debt for the first time in their history. In what respect could Herr Rathenau say that German wealth had diminished?

HERR RATHENAU replied that Mr. Lloyd George's remarks touched on the most important point in the whole discussion, and he was prepared to take them into his most earnest consideration and reply to them now.

MR. LLOYD GEORGE stated that if Herr Rathenau was going to deal with these points, he would rather that he dealt with them in his own way.

HERR RATHENAU stated that in order to meet the expenditure of 85

milliards, the German taxes had to be doubled. He did not desire at the present moment to approach the other important question as to whether the Germans are or are not as heavily taxed as persons in other countries. The German delegation had brought with them a large quantity of material which they would put before those gentlemen who were entitled to carry out this examination, and they hoped to prove that the inhabitants of Germany have a decidedly heavier taxation to bear than those of any other country. He thought his figures should be examined by those gentlemen who wished to go into them, and so he would not go into this question at the present full meeting of the Supreme Council.

There is a further important point for the German Government, and that is how to balance the expenditure upon Government undertakings, i.e., railways, posts and telegraphs. The German Government were prepared to balance this expenditure in 1922, and they hoped to bring about an internal situation in which it would be possible to abolish food subsidies. He would not enter now into the facts which made these subsidies necessary, but he desired to state that during 1922 these subsidies would, little by little, be abolished.

As regards the question of coal prices which has been under discussion with a view to balancing the budget, he wished to say that the German delegation had brought a great deal of material with them in order to explain the situation. The German coal prices were rapidly approximating to world prices by reason of increases during the last five weeks. With the present coal prices and the mark at 225 to the dollar, German coal would be sold at prices exceeding world prices. When comparisons were being made in coal prices it was a question of qualities, and the different qualities of coal with their correspondingly different prices should not be compared one with another.

So far he had discussed only the German internal budget without having regard to the burden of reparations and other burdens imposed by the Treaty of Versailles. Taking the figure of 5 hundred million gold marks as payment for reparations in 1922 and 14·5 hundred million gold marks as representing payments in kind and other payments due under the Treaty of Versailles, he arrived at the following computation:—

		Paper Marks (milliards).
5	hundred million gold marks is equivalent to	25
14·5	” ” ” ” ”	72
	Payments in German currency	38
	Total	<u>135</u>

This sum of 135 milliards of paper marks was additional to the 82 milliards, which represented internal expenditure. To cover this deficit of 135 milliards of paper marks, it would be necessary to increase taxation by 150 per cent., that is, from 83 to 218 milliard paper marks. Now, to establish the equilibrium of the budget and to stop the work of the printing press, only two ways would be possible, viz., firstly, to double or treble existing taxes, or,

secondly, to make a 'giant loan'. In regard to the first method, it would be found that the German population already carried a heavier load of taxation than any other country, and it would be very difficult to double or treble existing taxes; there remained, therefore, only to consider the possibility of raising a great loan. He, personally, felt convinced that such a loan could not be floated abroad. The City of London had recently refused to lend, even for a few months, a small sum to cover the instalments due in January and February on account of reparation. There remained the question of an internal loan; this must seriously be considered. But taking into consideration the budget situation and the present economic situation of the country, it would be very difficult to find the inducements necessary to obtain subscriptions to a big loan. It would be impossible to balance the internal budget until the general situation improved, which would involve an increase of agricultural and industrial production and of exports, besides the re-establishment of world markets with a view to absorb the goods so produced.

The question had been asked why Germany, which possessed the same territory only very slightly reduced, the same means of production, the same number of inhabitants as before the war when the country had been able to amass great wealth and great savings, found itself now unable either to save or to pay her debts. In order to reply to that question, he considered it necessary to examine a number of factors which might be included under the heads of national savings.

As a first factor he would mention foreign investments, which before the war had formed a credit item of 1·5 milliard marks, being the amount paid in interest on foreign investments held by Germany.

The second factor concerned the diminution of the territory and population of Germany; that diminution amounted to 15 per cent., and, if 6 milliards be taken as the amount of the pre-war saving, a diminution of 15 per cent. in respect of decrease of territory and population would represent an annual loss of nearly 1 milliard gold marks.

As a third factor, he would mention the question of exports, which had diminished from 10 milliard gold marks to 3·5 milliards, or 2·5 milliard gold marks on the basis of quantities, allowing for a coefficient of 1·5 in respect of increased prices. That is, the volume of exports had decreased from 100 to 25, thus reducing the volume of exports to one-quarter.

As a fourth factor, Germany had lost a considerable number of her sources of raw materials, for which she now found herself compelled to pay either in gold or in exports.

The fifth factor concerned the loss of agricultural production, which had been disproportionately great in comparison to the loss of territory on account of the fact that the lost provinces had been specially fertile and had supplied large quantities of fertilisers.

Lastly, as a sixth factor, must be mentioned lost opportunities of rendering international service in connection with shipping, banking operations, trade, &c.

The cumulative effect of these six factors would be found to result in



converting a pre-war saving of 6 milliards into an actual deficit of 1 to 2 milliards of gold marks, and, if his calculations were correct, as he believed them to be, then Germany, instead of saving in order to improve the welfare of her population or to enlarge her manufacturing powers, was in reality living on her capital; a state of affairs which no country could long endure.

He proposed in the next place to reply to the question which had been put to him by the president of the conference, a question which he considered to possess the greatest importance. Mr. Lloyd George had said: 'You have a population of sixty millions; you are all working. You have no unemployment; what are you doing with your products? Are you storing your riches? You do not export your products; what do you do with them?' He agreed it would be very paradoxical that Germany, whilst making no savings, could be storing riches. And in order to reply to these various questions it would be necessary to examine the industrial situation, with particular reference to 'labour hours'. In that connection it would be necessary for him to revert to the question of foreign investments. In pre-war times Germany received on account of her foreign investments the equivalent of  $1\frac{1}{2}$  milliards gold marks paid in goods. That represented the tribute paid to her in raw materials by foreign countries. Now Germany had to work in order to obtain her raw materials; a payment represented by labour hours, to an extent which he calculated to represent 3.75 milliard labour hours.

Secondly, the diminution of territory and of population resulted in a proportionate diminution of savings resulting therefrom, which would represent 1 milliard labour hours.

Thirdly, the exclusion from Germany of certain areas whence raw materials were obtained meant that the country had now to pay in gold or goods or 'labour' hours for the material so lost. Expressed in labour hours he calculated that loss to be equivalent to 0.83 milliard labour hours.

Fourthly, the present situation of German agriculture involved an additional expenditure of 1.8 to 2 milliard labour hours.

Fifthly, the loss in respect of services, such as navigation, banking, &c., represented a certain amount of labour hours which he calculated to be equivalent to 1.66 milliard labour hours.

The total of all the factors above enumerated gave the enormous result of 9.0 to 9.24 milliard labour hours as the amount of unproductive work required to make up for the loss of production since the war.

Taking the total number of workpeople in Germany, assuming that each person works 2,400 hours a year, it will be found that (assuming a working population of 20,000,000) Germany can produce a total of not less than 50 milliard labour hours a year. But 9 milliard labour hours of this total must be spent on work which must be described as useless, that is, one-fifth of the total hours worked.

Taking the same proportion, it would appear that Germany has an 'invisible unemployment' equivalent to a total of 4,000,000 unemployed, since one-fifth of the total German labourers are employed on unproductive labour, that is, work not formerly required.

(On the suggestion of Mr. Lloyd George a slight adjournment was made.)

The meeting resumed at 5.35 p.m. Mr. E. Grey, Controller of the British Clearing House, and Mr. Boyden (American unofficial representative on the Reparation Commission) were present in addition.

*Announcement of M. Briand's Resignation.*

MR. LLOYD GEORGE stated that owing to the course of events in Paris, the meeting was without the French Ministers. M. Briand had resigned,<sup>3</sup> and there were no Ministers at the moment in France. M. Loucheur had stated that he had no authority to continue to be present as representative of the French Government. M. Laroche would, however, represent France, but what had happened might mean that the sittings would have to be adjourned until some other time.

(At this point M. Loucheur entered and had a private conversation with Mr. Lloyd George.)

Mr. Lloyd George, resuming, said that M. Loucheur had asked him to express his regrets at the inconvenience which events had caused to the Supreme Council. He thought it would be better if Herr Rathenau concluded his statement, and then the Allied Ministers could consider [it] among themselves. He thought that the Allied Ministers would be able to proceed some part of the way if, after Herr Rathenau had spoken, the Reparation Commission were to examine the proposals made by him. If necessary, a further meeting of the conference could be summoned. Meanwhile, he suggested that the conference should proceed with the business in hand and that there should be held afterwards a separate meeting of the Allied Ministers.

HERR RATHENAU said that he was fully aware of the seriousness of the situation that had arisen, and he would hurry to the end of his discourse so as not to waste the time of those present.

*Continuation of Herr Rathenau's Statement.*

He would next deal with the charges which Germany had to take on her. In addition to the 500 million gold marks and the 1,450 millions in respect of deliveries in kind, he had to calculate that Germany would have to make a further payment through the Clearing Office of 360 millions in gold marks, and would have to obtain a sum of 250 millions in gold marks owing to the fact that deliveries in kind necessitated payment for materials bought outside Germany. The total in gold for these last payments was 610 millions, and the total gold charge on Germany would be 1,100 million gold marks, i.e., more than a milliard of gold marks.

He thought that however this question was settled, it would be very dangerous to go above 500 million gold marks (the figure which he had heard spoken of) and increase this figure to 720 million gold marks. The danger was very grave with only 500 million marks, and it would increase if

<sup>3</sup> M. Briand had announced his resignation to the Chamber that afternoon. On January 15, 1922, M. Poincaré formed a new government. He succeeded M. Briand as President of the Council and Minister for Foreign Affairs on January 18.

this amount were raised to 720 millions. If it were necessary to put on Germany a greater burden than the payment of 500 million gold marks, he suggested that it might be considered whether payments through the Clearing Office should not be reduced and a lump sum fixed for the internal costs of occupation. Germany was willing to do what she could to get her budget right, on the lines of the suggestions put by the German delegation. Germany undertakes to carry out the proposal that her customs duties should be placed on a gold basis. Railways, posts and telegraph charges would be fixed so as to give a favourable balance this year to these State undertakings.

He had already spoken of subsidies. These would be abolished as quickly as possible. The question of coal prices was more difficult. Prices had been raised seriously, and in a very short period had reached world market prices. As to the question of internal loans, this would be taken into the most serious consideration, so as to find the necessary inducement to encourage subscriptions to the loan.

As regards the question of the flight of capital from Germany into other countries, he would limit himself to saying that this should be examined, but it was very difficult to reach a solution without the help of all the foreign banks. As for the so-called guarantees, he thought that it would be possible to find a means to enlarge the autonomy of the Reichsbank. The Reichsbank, of course, was under the control of the Chancellor who, except on one occasion, had hardly ever interfered with its decisions in the last forty years, but it had been said that the Reichsbank was under his control for fiscal purposes, and he agreed that it might be better to put the Reichsbank in a similar position to that occupied by private undertakings. As regards the establishing of a technical adviser, he thought this should be left out of the discussion, as he hoped that this suggestion would not be considered any more. It was a very dangerous proposal, and would undermine the feeling of personal responsibility. This was never good, and should be avoided if possible. Moreover, the appointing of a technical adviser would do harm to all the central banks of the world.

The last question which had been put to the Germans was on the reconstruction of Europe, and they had been asked to co-operate. Germany recognised the high importance of the proposal put before the nations of the world in this way. She recognised this all the more as she was very largely dependent upon the world's markets. Germany was not in such a situation of riches and wealth as to be able to say that she placed herself at the disposal of the world's money markets, but he thought that in the meantime, under limited conditions and after due consideration of the scheme, Germany could take her fair share in the work which had been allotted to her. Germany thought that she would be able to help in such a scheme on account of her experience in regard to the building up of industries. The method which had been suggested was, in his opinion, the correct one, i.e., the establishment of an international syndicate supported by private funds. The Germans believed it to be right to begin in European countries with the consideration

of the traffic position. In order to make traffic on the railways pay, it was important to develop sources of raw materials and also to make available for reconstruction enterprises which already existed instead of starting new and large enterprises.

Germany thought that she was the more fit to share in the development of Eastern Europe as she had rendered services to Europe and the world by her attitude during the last few years. When Germany was at her lowest ebb, and totally broken down after the war, and while the revolution in Germany was taking place, nevertheless she kept up her resistance to Bolshevism—for Germany had resisted Bolshevism, and if Bolshevism had gained power in Germany it would have been able to utilise the intellectual powers of Germany to organise, and by adopting German methods, would have become a far greater danger than it could ever do with the support of Russia alone. For this reason Germany both believed in and was willing to assist in the encouragement of European reconstruction, and she would try to take her part in the reconstruction of Eastern Europe in the ways in which the statesmen of the ruling nations, who were actually taking the responsibility for Europe, thought fit.

He would like to ask a question as to procedure. He supposed that if the Supreme Council continued, the subjects before it would be taken into consideration by commissions specially established by the Supreme Council.

MR. LLOYD GEORGE stated that the conference was confronted with a special difficulty. If the French Government had been represented, the course suggested by Herr Rathenau would have been the proper one, but in the absence of French representatives, the conference must think of some other way of dealing with the situation. He would like to hold a private discussion with representatives of the Allied countries, and he would then communicate with Herr Rathenau. The conference was confronted with a real difficulty, and was thrown out of gear altogether by this incident. It would be very difficult to discuss business, and the conference must consider what right they had to proceed. The only body, in his opinion, which was invested with the authority of the Allies was the Reparation Commission. The Supreme Council had ceased to exist in the absence of one of its interested members. He would like to have a discussion with the Reparation Commission as to what course should be taken. He thought that it should be possible to do some business in spite of the difficulty, but for the moment he would rather not say anything definite.

SIGNOR BONOMI agreed.

MR. LLOYD GEORGE stated that the conference had better adjourn in order to consider what powers they had.

*(The conference adjourned at 6.5 p.m.)*

*Carlton Hotel, Cannes, January 13, 1922*

I.C.P. 234A] *British Secretary's Notes of an Allied Conference held at the Cercle Nautique, Cannes, on Thursday, January 12, 1922, at 6.15 p.m.*

**PRESENT:** *America:* REPARATION COMMISSION: Mr. Boyden.

*Belgium:* M. Theunis, Prime Minister; M. Jaspar, Minister of Foreign Affairs; REPARATION COMMISSION: M. Delacroix.

*British Empire:* The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister (*in the Chair*); The Rt. Hon. Sir Robert Horne, G.B.E., K.C., M.P., Chancellor of the Exchequer; The Rt. Hon. Sir L. Worthington-Evans, Bart., M.P., Secretary of State for War; REPARATION COMMISSION: Sir J. Bradbury, G.C.B.; SECRETARY: Mr. T. Jones.

*France:* M. Laroche; REPARATION COMMISSION: M. Dubois; SECRETARY: M. Massigli.

*Italy:* Signor I. Bonomi, Prime Minister; Marchese della Torretta, Minister for Foreign Affairs; Signor G. Raineri, Minister of Redeemed Provinces; Signor G. de Nava, Minister of the Treasury; REPARATION COMMISSION: Signor D'Amelio.

*Japan:* Baron Hayashi, Ambassador in London.

INTERPRETER: M. Mathieu.

The Conference had been called at the close of the Meeting of the Supreme Council to consider the situation which had arisen in view of the news of the resignation of M. Briand.<sup>1</sup>

MR. LLOYD GEORGE said that it would be a misfortune to throw away the work which had been proceeding at Cannes and that an effort should be made to save as much of the fruits of their labour as possible. If the Conference adjourned without putting forward a definite demand to Germany and securing her acceptance, it would have a bad effect in Europe. He believed that Germany was now in a mood to accept reasonable terms. He understood that there was substantial agreement among the Allies as to the terms, though some would like them to be more moderate and others would like them to be more extreme.

The question now was, could the demands be put forward, in the absence of M. Briand, accepted by the Germans and formally ratified at a meeting of the Supreme Council to be held later. The only body apparently with authority to put forward demands was the Reparation Commission. He should therefore like to hear the views of M. Dubois.<sup>2</sup>

M. DUBOIS said he could only express his personal opinion. As the French Delegate, he found himself in a delicate position, inasmuch as the French Government had [not] ratified his appointment. The Reparation Commission was also in difficulty. Two ways seemed open, one, the Allied Governments to agree on a certain figure and then put it before the Reparation Commission, who would take note of it; or, two, the Reparation Commission could

<sup>1</sup> See No. 23, n. 3.

<sup>2</sup> See No. 9, n. 4.

examine the German situation in detail and see if it was necessary to grant her a postponement of the payments due. The second procedure would involve the examination of a large number of documents which had been handed in on the previous evening by the German delegates. This would take time, and make an immediate decision impracticable. The examination could be much more efficiently carried out in Paris than at Cannes.

MR. LLOYD GEORGE said he understood the Reparation Commission had been examining the question recently for some time in Germany<sup>1</sup> and must have had considerable material in their possession for reaching a judgment.

SIR JOHN BRADBURY stated that a fresh batch of documents had only been handed to the Reparation Commission on the previous day and it would be necessary to examine these. It was true the Commission had considered the problem closely and discussed it among themselves but how long it would take the Commission to reach agreement no one could say.

MR. LLOYD GEORGE said he inferred from what had been said that it was unlikely that a decision would be reached at Cannes and that a solution must be found in another direction. Could the four Governments present make a recommendation and present it to the new French Government when formed?

M. LAROCHE suggested that he should consult M. Loucheur who might have heard from Paris what he could or could not do.

MR. LLOYD GEORGE agreed and undertook to summon such members of the Supreme Council as were available that evening or on the following morning.

M. DUBOIS asked whether it was desired that members of the Reparation Commission should remain at Cannes.

MR. LLOYD GEORGE hoped the Commission would remain until the following day in order to obtain further news from Paris.

*Cannes, January 12, 1922,*

<sup>1</sup> See No. 22, n. 2.

## No. 25

I.C.P. 235] *British Secretary's Notes<sup>1</sup> of an Allied Conference, held at the Cercle Nautique, Cannes, on Friday, January 13, 1922, at 11 a.m.*

PRESENT: *America*: Colonel Harvey; EXPERT: Mr. Boyden;<sup>2</sup> SECRETARY: Mr. F. D. K. le Clercq.

*Belgium*: M. Theunis, M. Jaspar, M. Delacroix; EXPERT: M. Bemelmans;<sup>2</sup> SECRETARIES: M. Gutt, Viscount Davignon.

*British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P. (*in the Chair*), The Most Hon. the Marquess Curzon of Kedleston, K.G.,

<sup>1</sup> A draft copy of these minutes is preserved in the Foreign Office archives at C 797/458/62 (1922).

<sup>2</sup> Representing the Reparation Commission.

G.C.S.I., G.C.I.E., The Rt. Hon. Sir R. Horne, G.B.E., K.C., M.P., The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P.; EXPERTS: Sir J. Bradbury,<sup>2</sup> Mr. Salter,<sup>2</sup> Sir B. P. Blackett, Mr. E. F. Wise, Mr. S. D. Waley; SECRETARIES: Mr. T. Jones, Major Caccia.

*France*: EXPERTS: M. Laroche, M. Felcourt, M. Fromageot, M. Dubois,<sup>2</sup> M. Aron;<sup>2</sup> SECRETARIES: M. Massigli, M. Bressy.

*Italy*: Signor Bonomi, Marquis della Torretta, Signor de Nava, Signor Raineri; EXPERTS: Signor d'Amelio, Signor Giannini, Signor Barone, Signor Conti-Rossi[ni], Signor Giarrocca, Signor Raggi,<sup>2</sup> Signor d'Amelio;<sup>2</sup> SECRETARIES: Signor Rocco, Signor Brambilla, Signor Buti.

*Japan*: Baron Hayashi, Viscount Ishii; EXPERT: M. Sekiba;<sup>2</sup> SECRETARY: M. Tokugawa.

GERMAN DELEGATES: Reichsminister a. D. Rathenau, Staatssekretär Schroeder, Staatssekretär Hirsch, Staatssekretär a. D. Bergmann, Staatssekretär Fischer; EXPERTS: Ministerialdirektor Trendelenburg, Legationsrat Martius, Regierungsrat von Oertzen;

INTERPRETERS: M. Godart, Dr. Michaelis, M. Mathieu.

#### *Communication of Telegram from M. Briand.*

1. MR. LLOYD GEORGE, having declared the meeting open, said that he desired to read a telegram which he had received from M. Briand. Although a copy of that telegram had already appeared in the press, he considered it to be his duty to communicate it officially to the conference. (For text of telegram see Appendix I.)

#### *Termination of Conference of Cannes.*

2. Mr. Lloyd George, continuing, said that after a night's reflection he had personally come to the conclusion, in consultation with his British colleagues, that it would be quite impossible to do any more business at Cannes.

#### *Work Achieved by Conference of Cannes.*

##### (a) *Reparations.*

3. The conference had already achieved certain things upon which definite agreement had been reached, and those things would proceed. But other questions, such as reparations, still remained under discussion, and though provisional agreements had been reached in regard to those subjects, it would be impossible in the absence of the French Government to assume that complete agreement had been reached. They must therefore be deferred for further discussion.

##### (b) *Genoa Conference.*

With regard to the matters agreed upon, he would mention the European Economic Conference. A definite agreement had been reached in regard to

the form of the invitations,<sup>3</sup> and in regard to the agenda;<sup>4</sup> and M. Briand, as president of the conference, had communicated the decisions taken to Signor Bonomi, with a request that he should take the necessary steps to organise the conference. He (Mr. Lloyd George) assumed that Signor Bonomi would take action on that communication, and issue invitations without delay, since there were many parties to be communicated with and many of those would have to take important decisions: for instance, the United States would have to do so.

COLONEL HARVEY, intervening, said that his Government would undoubtedly desire to know how recent events were regarded by the conference, for America would find it difficult to take action unless the decision in regard to the conference were considered to be a completed matter.

MR. LLOYD GEORGE replied that the Genoa Conference must be regarded as a completed matter. Nothing further had to be decided. That transaction had been completed and the conference had passed on to other subjects.

COLONEL HARVEY suggested that the new French Government might perhaps withdraw its approval.

MR. LLOYD GEORGE felt certain that the French Government would honour the obligations of their predecessors. The French Government could not expect the Russian Government to honour the obligations of the Czar, if their own Government failed to honour the decisions taken by the Allied Supreme Council.

Mr. Lloyd George, continuing, said that it might be assumed that Russia had accepted the invitation to the Genoa conference. But, in his opinion, the telegram in the form agreed upon should go to Russia as early as possible, since that telegram emphasised the importance attached to the conditions therein laid down. Russia, therefore, should be given time to realise the serious importance which the Supreme Council attached to the conditions therein set forth and have time to consider the same, since the success of the conference depended on their acceptance of those conditions.

The telegram in question had been settled and agreed to by all the delegations.<sup>5</sup> He hoped, therefore, that Signor Bonomi would send it as soon as possible to the Russian Government. He had no doubt also that Colonel Harvey would likewise communicate the invitation to his Government.

COLONEL HARVEY enquired whether anything had been settled in regard to the number of delegates to attend the conference.

MR. LLOYD GEORGE replied that the question had been discussed by the Supreme Council, with the result that it had been agreed to limit the number of representatives of the smaller Powers to two.<sup>6</sup> But in regard to the big Powers, he thought the question must be left entirely to their discretion. Many very large questions would come under discussion and grave responsibilities would have to be taken. For instance the discussion of questions connected with general peace, finance and trade would require the presence of responsible Ministers who would be competent to act as plenipotentiaries

<sup>3</sup> See No. 19.

<sup>4</sup> See No. 21, Appendix III.

<sup>5</sup> No. 19, Appendix 1.

<sup>6</sup> See No. 19, minute 2.



in taking important decisions. The view had been expressed that the number of delegates in the case of the big Powers might vary between three and five but he did not wish to limit the big Powers in the exercise of their discretion.

COLONEL HARVEY enquired whether the figure five should be taken as the outside limit.

MR. LLOYD GEORGE replied in the affirmative.

SIGNOR BONOMI said that he fully shared Mr. Lloyd George's view in considering that a definite agreement had been reached by the Supreme Council in all that concerned the Genoa conference. Consequently, all decisions relating thereto must be considered as perfectly good and valid. M. Briand had assisted at all the meetings relating thereto, and had subscribed to the decisions taken.

He (Signor Bonomi) intended on that day to issue the invitations. He agreed that the representatives of the smaller Powers should be limited to two; and, though he did not desire to lay down any particular number in regard to the bigger Powers, he thought that the figure five should be taken as an indicator. A good deal, however, would depend on the importance of the subjects to be discussed.

MR. LLOYD GEORGE expressed the view that it would be advisable to fix a date for the meeting of the conference. He suggested the 8th March as a provisional date.

After some further discussion it was agreed that the Genoa conference should meet on the 8th March, 1922, subject to any later adjustment.

#### *Communication to German Delegation of Results of Conference.*

4. MR. LLOYD GEORGE expressed the view that it would be necessary, before breaking up, to summon the German delegates to attend, in order to inform them that the conference had come to an end. It would be right and proper to explain matters to them and to put before them the proposals which had been drawn up by the Reparation Commission. It would be necessary for the Supreme Council to decide how best to tide over the present time. In accordance with existing agreements the time limit for making certain payments would be reached next week, but in his opinion it would be unfair to declare the German Government in default while the question still remained under discussion. He suggested, therefore, that the German delegates should be summoned to appear at 12 noon that day in order that the situation might be explained to them.

It was agreed to summon the German delegates to attend at 12 noon.

#### *Consortium Committee of Nine.*

5. MR. LLOYD GEORGE called upon Sir Laming Worthington-Evans to explain certain proposals in regard to the establishment of the international corporations.

SIR LAMING WORTHINGTON-EVANS said that the Supreme Council at one of its meetings had resolved upon the establishment of an international European corporation with affiliated companies, and it had been agreed that

a committee of nine consisting of two representatives each from Belgium, France, Italy and the British Empire and one from Japan, should be appointed in order to carry out all preliminary work.<sup>7</sup> He would ask the meeting to agree to the proposal that the representatives of Great Britain should call a meeting in London as soon as possible in order to get the machinery started. Should that proposal be accepted, he would ask each of the nations concerned to forward as soon as possible to the British secretariat the names of their delegates. He thought that the committee might be able to meet in London in eight or ten days' time.

It was agreed—

That a preliminary meeting of the international corporations for the re-establishment of better economic conditions in Europe should be held in London in eight or ten days' time, invitations to be issued by the British representatives; the names of the representatives (Belgium, France, Italy and British Empire two each, and Japan one) to be communicated to the British Secretary, 2, Whitehall Gardens, London, S.W. 1.<sup>8</sup>

*Genoa Conference Agenda Drafting Committee.*

6. The conference took note of the report of the Ministerial Drafting Committee held on the 11th January, 1922 (I.C.P. 232 A),<sup>9</sup> and confirmed the appointment of the following committee to prepare the detailed agenda and draft resolutions for the Genoa conference:—

Belgium: Viscount Davignon.

British Empire: Sir Maurice Hankey<sup>10</sup> (*vice* S. D. Waley).

France: M. Seydoux.

Italy: Signor Jung.

Japan: M. Tokugawa.

<sup>7</sup> See No. 19, minute 4.

<sup>8</sup> On January 17, 1922, the Foreign Office despatched to Lord Hardinge (Paris, No. 18), Sir R. Graham (Rome, No. 15) and Sir G. Grahame (Brussels, No. 3) the following telegram: 'At meeting of allied conference at Cannes on January 13th, following resolution was passed. Begins: That preliminary meeting of the international corporation for the re-establishment of better economic conditions in Europe should be held in London in eight or ten days' time, invitations being issued by the British representatives. The names of the representatives (Belgium, France, Italy and British Empire two each and Japan one) to be communicated to the British Secretary at 2, Whitehall Gardens, London. Resolution ends. The invitation was there and then verbally conveyed by Sir L. Worthington-Evans. Please ask government to which you are accredited to expedite notifying of names of chosen representatives to Whitehall Gardens.' Referring to this telegram, the Foreign Office, on January 18 (telegram No. 21 to Paris, No. 18 to Rome, and No. 4 to Brussels), added the following instruction: 'Please explain that the British delegates will be business men unconnected with the Government, and it is hoped that other countries will similarly choose representatives from among industrial[ist]s and financiers rather than government officials. It is a matter of urgency that names and addresses of representatives chosen be notified to us at earliest possible date in order that invitations may be sent to them by their British colleagues.'

<sup>9</sup> See No. 21, n. 6.

<sup>10</sup> Secretary to the Cabinet.

At this stage the following members of the Reparation Commission entered the Council Chamber:—

M. Dubois.  
Sir John Bradbury.  
M. Delacroix.  
Signor Raggi.  
Mr. Boyden.  
Mr. Salter.  
M. Bemelmans.

*Decision of Reparation Commission re Moratorium.*

7. MR. LLOYD GEORGE called upon the Chairman of the Reparation Commission to read to the Council the decisions taken by the Commission.

M. DUBOIS then read the statement of the Reparation Commission. (For full text see Appendix II.)

MR. LLOYD GEORGE proposed that the decisions taken by the Reparations Commission should be approved by the Supreme Council, and communicated to the German delegation at 12 noon.

It was agreed to accept the decisions taken by the Reparation Commission (Appendix II), and to communicate the same to the German delegates.

At 11.50 a.m. the conference adjourned for a short interval.

The conference resumed its sitting at 12.15 p.m., the following German delegates being present:—

Delegates—

Reichsminister a. D. Rathenau (*chairman*).  
Staatssekretär Schroeder.  
Staatssekretär Hirsch.  
Staatssekretär a. D. Bergmann.  
Staatssekretär Fischer.

Experts—

Ministerialdirektor Trendelenburg.  
Legationsrat Martius.  
Regierungsrat von Oertzen.  
Regierungsrat Dr. Michaelis als Dolmetscher.

*Communication of the Decisions of Conference at Cannes to German Delegation.*

[7] MR. LLOYD GEORGE, addressing the German delegates, said that the meeting had come to the conclusion that it could not usefully proceed as a conference in the absence of one of the Great Powers, whose Ministers would not be able to attend for some days to come.

(a) *Termination of Conference.*

It would be impossible for the various delegations here assembled to remain in Cannes awaiting the formation of the new French Ministry.

The meeting had therefore come to the conclusion that the best plan would be forthwith to adjourn the conference. He (Mr. Lloyd George) very much regretted the inconvenience which this decision would undoubtedly cause the German delegation, an inconvenience which was shared by each of the delegations there represented.

(b) *Genoa Conference.*

He was glad to say that a part of the business in which Germany was concerned had been brought to a successful conclusion. He referred to the Genoa conference, and he would be glad to hear from Dr. Rathenau that the German Government intended to accept the invitation which had been extended to it and co-operate with the rest of Europe in the economic and financial reconstruction of Europe.

*Reparations.*

8. The Conference had, however, found it necessary to postpone the discussion of questions connected with Reparations in the absence of France, who was perhaps more deeply concerned in that matter than all the other Powers combined. Something, however, had to be done to meet the situation which had arisen as the result of the intimation made by the German Government that it would be unable on the 15th January next to comply with the terms of the London Agreement.<sup>11</sup> In the circumstances the questions had been referred to the Reparation Commission for consideration, and he would call upon the President of that Commission, M. Dubois, to communicate to the German Delegation the conclusions reached; conclusions, which had been accepted by the Conference.

M. DUBOIS then read the decisions of the Reparations Commission in regard to Reparations. (See Appendix II.)

DR. RATHENAU expressed to the Chairman his gratitude for his kind words. He desired also again to thank the Supreme Council for having convened the German delegates to Cannes.

He took note of the fact that Germany had been invited to attend the Conference at Genoa, and that an official invitation would be received in due course.

Further, he took note of the fact that, in view of the dissolution of the Cannes Conference, the German Delegates had received a communication from the Reparation Commission acceding to Germany's request for a Moratorium.<sup>12</sup> He would forward the Resolution in question to his Government.

He had also taken note of the fact that Germany's default in respect of the payment due on 15th January next would not entail any direct consequences.

(The German delegation and the members of the Reparations Commission withdrew at 12.30 p.m.)

*Telegram to M. Briand.*

9. MR. LLOYD GEORGE asked the Meeting to authorise him to send a

<sup>11</sup> See Vol. XV, No. 107.

<sup>12</sup> See Appendix II.

message to M. Briand in the name of the Conference in reply to his telegram. (See Appendix III.)

(It was unanimously agreed that this message should be forwarded to M. Briand.)

*(The conference terminated at 12.30 p.m.)*

*Carlton Hotel, Cannes, January 13, 1922*

#### APPENDIX I TO NO. 25

*Telegram from M. Briand to Mr. Lloyd George.*

(A.J. 342.)

(Translation.)

In the presence of the political situation which I found on my arrival in Paris, I considered that it would not be possible for me to retain the presidency of the council. Having placed the resignation of the Cabinet in the hands of the President of the Republic, I cannot return to Cannes to take part in the work of the Supreme Council. I beg you to communicate this to our colleagues, and kindly to express to them with my excuses the regret which I feel at having to put an end to my collaboration with them.

As to yourself, my dear Mr. Lloyd George, I am deeply pained that I have not been able to bring to fruition with you the negotiations which have taken place in the interests of our two countries, and of the peace of Europe, which I should have been happy to bring to a successful conclusion.

I trust that my successor will continue those negotiations with you, and that he, more favoured than myself, will be able to reach the goal which we had in view.

I beg you to accept the expression of my kindest and most devoted regards.

*Carlton Hotel, Cannes, January 13, 1922*

#### APPENDIX II TO NO. 25

The Reparation Commission decides to grant to the German Government a provisional postponement of the instalments due on the 15th of January and the 15th of February, 1922 (in so far as they are not covered by cash payments already made or which may be made, and by deliveries in kind and receipts under the Reparation Recovery Acts received or which may be received up to the respective due dates) subject to the following conditions:

a) During the period of provisional postponement the German Government shall pay, in approved foreign currencies, the amount of 31 millions of gold marks every ten days, the first payment being upon the 18th of January 1922.

b) The German Government shall, within a period of 15 days, submit to the Commission a scheme of budget and currency reform, with appropriate guaranties, as well as a complete programme of cash payments and deliveries in kind for the year 1922.

c) The period of provisional postponement shall end as soon as the Commission or the Allied Governments have taken a decision with regard to the scheme and programme indicated in paragraph b.

Except and so far as may be otherwise provided in this decision, the difference between the amounts actually paid during the period of the provisional postponement and the sums due during the same period under the Schedule of Payments

shall become due and payable within 15 days from the decision of the Reparation Commission or of the Allied Governments, as the case may be.

When the scheme and programme referred to above have been received by the Reparation Commission, they will be immediately transmitted by the Commission to the Allied Governments, who will thus be in a position either to deal with the matter themselves or to refer it back to the Commission to be dealt with by the latter.<sup>13</sup>

*Cannes, January 13, 1922*

### APPENDIX III TO No. 25

*Mr. Lloyd George to M. Briand*

A.J. 341.

CANNES, *January 13, 1922*

I am desired to forward to you the following resolution adopted here to-day by the Representatives of the Allied and Associated Powers:

The representatives of the Allied Powers at Cannes have learnt with great regret of the resignation of M. Briand as President of the Council.

They desire to thank M. Briand for his courteous message and to express their appreciation of the tact and consideration with which he has presided over their deliberations, as well as their sincere regret that he was not able to complete the valuable work which has already been accomplished at their proceedings.

The absence of any representatives of France has made it necessary for them to terminate the present Conference, but they trust that the resolutions adopted by them in unanimity with the French delegates will bear good fruit in bringing together the European nations, uniting them in a pact of peace, and ensuring their co-operation with each other in restoring the prosperity of their peoples.

(Signed) D. LLOYD GEORGE.

<sup>13</sup> This document is printed in *Reparation Commission III*, op. cit., no. 11.

## CHAPTER II

# Correspondence, Memoranda, and Records of Conversations concerning the preparations for the Genoa Conference

February 11–April 8, 1922

### No. 26

*Letter from the Marquess Curzon of Kedleston to the French Ambassador*<sup>1</sup>  
[C 2041/458/62]\*

FOREIGN OFFICE, February 11, 1922

Your Excellency,

I have the honour to acknowledge the receipt of the memorandum, dated the 5th instant,<sup>2</sup> expressing the view of the French Government that, before

<sup>1</sup> The Comte de Saint-Aulaire.

<sup>2</sup> Not here printed. This Memorandum had been published in the Press. The text is given in Ministère des Affaires Etrangères, *Documents Diplomatiques, Conférence Economique Internationale de Gênes, 9 Avril–19 Mai 1922* (Paris 1922), pp. 18–22, where it is dated February 1, 1922. The text of the Memorandum (with two variations) was communicated to the Foreign Office by the French Chargé d’Affaires, M. de Montille, in a note dated February 5. The corrections of the two errors in the Yellow Book text were transmitted by Lord Hardinge, H.M. Ambassador in Paris, in his despatch No. 1622 of July 12, 1922, not printed. An English translation of the Memorandum together with Lord Curzon’s letter here printed, was published in Cmd. 1742, Miscellaneous No. 6 (1922), pp. 3–8. Lord Curzon discussed the French note of February 5 with the Comte de Saint-Aulaire on February 6. In his despatch No. 405 of February 9 to Lord Hardinge (Paris), he summarised this discussion as follows: ‘Concerning the Genoa Conference I asked at once whether I was right in believing that the French Government intended to be represented.

‘The Count de Saint-Aulaire answered this question unhesitatingly in the affirmative, stating that the French Government held themselves absolutely bound by the decisions arrived at at Cannes with the consent of the late French Premier, although he did not conceal from me that M. Briand’s successor held somewhat different views on the matter from those which had been entertained by M. Briand himself. The Ambassador further added that as the French Government had decided to take part it was indispensable in the interests of our own two countries in particular, and of Europe in general, that the Conference should not be a failure. Such a result would be an immeasurable disaster to Europe. Any steps that could be taken to prevent such a calamity ought, therefore, to be taken in advance, whether by due preparation, investigation or otherwise.

‘Accepting these propositions, I went on to say that M. Poincaré’s Note [of February 5] seemed to me to admit of two possible interpretations, and the way in which it should be met must depend entirely on the question which of the two was right. For instance, the Note might be regarded as containing a number of perfectly legitimate questions put by the French Government in order to remove obstacles or elucidate doubts. As such it would deserve the fullest consideration, which we should be glad to give to it. On the other hand, it

the meeting of the forthcoming international conference at Genoa, greater precision should be given to certain points raised by the list of subjects<sup>3</sup> which the Supreme Council at Cannes adopted for discussion at that conference.

2. His Majesty's Government are ready to agree that it would be useful if, before the Genoa conference meets, agreement could be reached as to the elucidation and interpretation of the points in question. The programme established at Cannes has for some weeks past formed the subject of careful examination by the competent officials of His Majesty's Government who have been entrusted with the preparatory work of exploring and preparing the ground covered by the subjects in question.<sup>4</sup> This work, it may be hoped, has already contributed in some measure towards the end desired by the French Government, but His Majesty's Government have no doubt that that end would be more surely obtained if the labours of the British officials might be thought—and had indeed been suggested in some quarters—that by raising the number of points which were contained in the Note the French Government was adopting—whether consciously or unconsciously—the best method for postponing the meeting of the Conference, and perhaps even preventing it from being held. Furthermore, the latter point of view might find some justification in the suggestion, with which the Note had ended, that the Genoa Conference should be postponed for at least three months.

'As to this suggestion, I told the Ambassador quite frankly that I did not conceive that it would be entertained for a moment, either by my Government or by the Italian Government who had issued the invitations. Nor could I see why the preliminary examination which the French had suggested should involve so protracted a delay. Indeed postponement for three months, with the great issues at stake and with the present unsettled position of affairs, would certainly be regarded in some quarters as postponement *sine die*, and might end in the complete disappearance of the project. As a matter of fact, the date of the meeting did not rest either with the French Government, or with ourselves. It rested with the Italian Government, who were the conveners of the meeting. So far as my information went, they had not even, in spite of the fall of Signor Bonomi's Ministry, expressed any desire to make a change, and I felt sure that the new Government, whoever might be its head, would feel disposed in this respect to adhere to the plans of its predecessor. On the other hand, a delay in forming a government might, if much further protracted, render some slight postponement necessary. For that we must await the initiative of the new Italian Ministry, whenever constituted. If they thought that postponement for two weeks, or three weeks—to the end of March, for instance—was necessary, we should be quite prepared, as no doubt would be the French, to consider their views. But I did not think that the British Cabinet would favour a proposal for any longer or indefinite extension of time.

'As regards the main question which I put, the Count de Saint-Aulaire said that my first interpretation of the Note was unquestionably the right one, and that the French Government had no desire by inventing obstacles, to retard indefinitely, much less to defeat, the Conference to which all had agreed.

'In that case, I replied, it seemed to me that the sooner the points about which the French Government had doubts or were in apprehension could be removed, the better, and I felt sure that if the French Government were disposed to send over their experts to London to examine the matter with our own, we should be delighted to receive them. A Committee had, I said, been sitting here to report upon the work in the economic sphere that would lie before the Conference, and its members would, I felt sure, be prepared to join without delay in conversations with colleagues from France, if the latter were disposed to come over.

'When the Ambassador asked me how soon such discussions might take place, I replied as soon as he liked, and as soon as the French delegates found it convenient to attend.'

<sup>3</sup> See No. 21, Appendix III.

<sup>4</sup> See No. 29, n. 1, below.



concerned could be co-ordinated with those of representatives of the French Government. If, therefore, the French Government would see their way to nominate representatives with the necessary technical qualifications to proceed to London to consult with their British colleagues, I should welcome this step a[s] that best calculated to give effect to the desires of the French Government, as set out in your Excellency's memorandum.

3. It may be presumed that the other Governments represented on the Supreme Council are equally desirous of facilitating the work of the conference by the dissipation of doubt and ambiguity before the conference meets, and that they will agree that consultation between Allied representatives will be the best means to that end. I am therefore instructing His Majesty's Ambassador at Brussels to inform the Belgian Government of the general sense of your communication, and to suggest to them that they also should send representatives to London for the purpose indicated.<sup>5</sup> I am making a similar communication to the Italian<sup>6</sup> and Japanese<sup>7</sup> Governments, through their representatives in London; and, in order to avoid loss of time, His Majesty's Ambassador at Paris has been instructed<sup>8</sup> to lay this proposal before the French Government with the least possible delay.

I have, &c.

CURZON OF KEDLESTON

<sup>5</sup> In Foreign Office telegrams Nos. 10 and 11 of February 11, not printed. In his telegram No. 28 of February 15, Sir G. Grahame, H.M. Ambassador in Brussels, replied: 'Belgian Government accept your proposal, and will send representatives to London for the purpose indicated. Ministry for Foreign Affairs will communicate names of Belgian representatives to me very shortly.'

<sup>6</sup> In his letter of February 11 to Signor de Martino, the Italian Ambassador, not printed. In a note of February 15, not printed, the Italian Embassy informed Lord Curzon that the Italian Government had appointed Signor Giannini and Signor Jung as its experts.

<sup>7</sup> In a letter of February 11 to Baron Hayashi, the Japanese Ambassador, not printed. Baron Hayashi replied on February 14 that his Government had no objection to the proposal.

<sup>8</sup> In telegram No. 46 to Paris (repeated to Brussels No. 10, to Rome No. 45) of February 11, not printed.

## No. 27

*Letter<sup>1</sup> from the Marquess Curzon of Kedleston to the French Ambassador*

[C 2243/458/62]

FOREIGN OFFICE, February 14, 1922

Your Excellency,

While I cordially welcome the assurance given verbally to Sir Eyre Crowe<sup>2</sup> by your Excellency on the 13th February that the French Government have no intention of throwing obstacles in the way of the Genoa conference, but are, on the contrary, prepared to do everything to ensure its

<sup>1</sup> This letter is printed in Cmd. 1742, pp. 8-10.

<sup>2</sup> Permanent Under-Secretary of State for Foreign Affairs. Sir E. Crowe's record of his conversation on February 13 with the Comte de Saint-Aulaire (C 2243/458/62) is not here printed.

success, and further that they have received with pleasure the proposal contained in my note of the 11th February<sup>3</sup> for a preliminary discussion of the agenda by Allied officials, I cannot but feel some doubt how far the suggestions that your Excellency proceeded to make are in fact calculated to promote the success of the conference.

2. Those suggestions were (1) that His Majesty's Government should in the first instance reply *seriatim* to the questions of principle raised in your Excellency's memorandum,<sup>4</sup> (2) that the necessary expert examination of the points at issue should be conducted by the committee appointed by the Supreme Council at Cannes on the 13th January<sup>5</sup> to prepare the detailed agenda and draft resolutions for the Genoa conference; (3) that that committee should meet at Paris rather than in London; and (4) that representatives of Poland, Czechoslovakia, Roumania and Jugoslavia should be added to it.

3. As regards the first of these suggestions, your Excellency's memorandum of the 5th February<sup>4</sup> raised a number of highly technical points, to discuss which by means of an exchange of notes between the Allied Governments responsible for the programme drafted at Cannes would, in the opinion of His Majesty's Government, involve the expenditure of much valuable time. It was for this reason that I proposed to deal with these matters by what would seem to be the more practical and expeditious method of discussion between technically qualified officials.

4. To the suggestion that that discussion should be organised by the agenda committee appointed by the Supreme Council I see no objection. His Majesty's Government are, however, not aware of any arrangement according to which the French member was charged to convoke a meeting of the committee at Paris. Indeed the impression left upon the British delegation at Cannes was that the meeting would take place in London. Incidentally I may observe that the British member of the committee appointed on the 13th January was not Mr. Salter,<sup>6</sup> but Sir Maurice Hankey.<sup>7</sup>

5. The proposal now made by the French Government that Paris should be substituted for London as the meeting-place of the officials charged with the task of preparing and co-ordinating the agenda would appear to be based upon a certain misapprehension of the position. The preparations of His Majesty's Government, who have accepted the invitation of the Italian Government, have reached a stage which permits them to anticipate that they will be ready to take part in the conference at Genoa on the 8th March, should that date be adhered to. If, however, the French Government desire to obtain further information from His Majesty's Government before they, on their part, proceed to Genoa, His Majesty's Government are, as I have already made clear, anxious to afford every opportunity for this purpose by instructing their officials to enter into conversations and give explanations

<sup>3</sup> No. 26.

<sup>4</sup> See No. 26, n. 2.

<sup>5</sup> See No. 25, minute 6.

<sup>6</sup> In his conversation with Sir E. Crowe on February 13, the Comte de Saint-Aulaire had stated that Mr. Salter (see No. 13, n. 7) had been appointed to the Committee.

<sup>7</sup> See No. 25, n. 10.

to any French officials whom the French Government may desire to send to London.

6. The suggestion that representatives of Governments other than those represented on the Supreme Council should be invited to participate in these discussions is one which His Majesty's Government would be reluctant to accept, since the work of interpreting and giving precision to the agenda already drawn up by the Supreme Council is a matter in which the principal Allied Governments, responsible as they are for the summoning of the Genoa conference, are exclusively concerned. On this point, principle is reinforced by expediency. For the only reason that can be suggested for associating representatives of the States mentioned by your Excellency<sup>8</sup> with the settlement of the questions to be submitted to the conference is their direct interest in Russia and their neighbourhood to that country. On this reasoning, it would become equally necessary to admit representatives of ex-enemy countries to the preliminary discussions. But to do this would, apart from any other objections, further complicate a machinery the structure of which, as contemplated by the French Government, would already be sufficiently cumbrous. On the other hand, the title of the Japanese Government to take part in the preliminary discussions is surely not open to dispute. Not only as one of the Great Powers who won the war has she been associated in every subsequent deliberation of the Allied Governments, but she was one of the Powers represented at Cannes who were directly responsible for the invitation to Genoa and the Cannes resolutions.

7. Should it be found desirable, during the course of the preliminary discussions, to ascertain the views of any other European Government, it should not be difficult to do so by inviting the attendance of their representatives in London, who would doubtless act upon instructions from [their] Government[s]. On the other hand, if formal delegations were to be invited from a selected number of States, not only would much jealousy be aroused, but the London discussions would be open to the charge of being an advance conference in disguise, charged with the duty of anticipating the task and prejudging the decisions of the Genoa conference itself.

8. An acceptance of the invitation of His Majesty's Government to London has already been received from the Italian Government, who have nominated two delegates for the purpose.<sup>9</sup> I trust, in these circumstances, that the French Government may see their way to adopt the suggestion which, in the sincere desire to meet their wishes, I had the honour to submit to your Excellency in my note of the 11th February.

I have, &c.

CURZON OF KEDLESTON

<sup>8</sup> In his conversation with Sir E. Crowe on February 13, the Comte de Saint-Aulaire had stated that 'the questions to be discussed, notably those affecting relations with Russia, were of practical interest to the countries which formed the Little Entente, namely Poland, Czechoslovakia, Roumania and Jugoslavia'. He had added that 'it would be indefensible to exclude them so long as Japan was admitted'.

<sup>9</sup> See No. 26, n. 6.

*The Marquess Curzon of Kedleston to Lord Hardinge (Paris)*

No. 488 [C 2392/458/62]\*

FOREIGN OFFICE, February 16, 1922

My Lord,

The French Ambassador came to talk to me this afternoon about the preliminaries of the Genoa conference.

He told me that M. Poincaré was prepared to send here his specialists or experts—whichever was the right phrase to employ—in order to discuss the economic aspects of the conference with our authorities within eight days from now.<sup>1</sup> But he said that their discussions would be strictly confined to the technical aspects of the case. As regards the other and larger aspects, the Ambassador said that M. Poincaré was still awaiting a reply from me to his recent memorandum,<sup>2</sup> and was somewhat surprised that it had not yet been received.

I said, in reply, that no discourtesy was, of course, intended, and that, if it were necessary to send a reply, of course this could be done. But, on the whole, I had come to the conclusion that to send no official answer was the wisest method to adopt, for the following reasons:—

M. Poincaré, in his memorandum, had raised with much power and acumen a number of very important questions, partly economic, partly political, partly on the border-line between the two, arising out of the Genoa conference; questions upon all of which it was very desirable that some sort of understanding should be arrived at between France and ourselves; but, as it seemed to me, an official reply to his memorandum was the last way in which to secure it. I had observed that the French memorandum had not only been sent to ourselves, but apparently to all the other principal Powers who had been summoned to Genoa; and not only that, but that the contents—if not the actual text—of the document had been communicated to the press in Paris. I was justified, therefore, in assuming that there would be equally little reticence about my reply, and that, if it were given, I should find it the next day in the columns of the Parisian journals. Was this desirable? Would an understanding at Genoa be promoted by a prior discussion of these political or *quasi*-political issues in the columns of the press? I could not

<sup>1</sup> In his telegram No. 81 of February 13 (C 2141/458/62) Lord Hardinge had reported, in reply to Lord Curzon's telegram No. 46 of February 11 (see No. 26, n. 8), that M. Poincaré had stated that he had already nominated French representatives, at the head of whom would be M. Seydoux, that they were meeting in Paris that day, and would in a few days be ready to proceed to London.

<sup>2</sup> See No. 26, n. 2. In his telegram No. 89 of February 19, Lord Hardinge, having cited a statement in the *Peuple* to the effect that the British Government had not replied to the French Memorandum, went on to state: 'I am . . . puzzled by Your Lordship's despatch to me of February 16th (of which an advance copy has reached me today) informing me of your conversation with M. de S[ain]t-Aulaire on that date in which Your Lordship seems to admit that your previous notes do not constitute a reply to the French Memorandum.'

help thinking that this was the last method we ought to adopt. I told the French Ambassador that we were examining the political aspects of the case just as closely as we were the economic, that we recognised as clearly as anyone else that the conditions under which the Soviet Government would be admitted to Genoa, the nature of the arrangements to be made with them and the question of their ultimate recognition were all matters on which it was more than desirable—in fact, it was essential—if no breakdown was to occur at the conference, that France and ourselves should be agreed. As a matter of fact, the British Prime Minister had told the Russians in the most emphatic terms that their only chance of being heard at the conference was to accept without reserve the conditions laid down at Cannes, while retaining the right to discuss their application.<sup>3</sup> Probably they would accept this advice. No doubt they would put forward a number of impossible claims, as the Germans and others had done at previous conferences. These would have to be examined and rejected. The stages would, in fact, be three in number:—

1. Admission, if the conditions were accepted.
2. Discussion.
3. In the event of a satisfactory agreement being arrived at, the question of recognition would arise.<sup>4</sup>

<sup>3</sup> During a Conference of Ministers held at No. 10 Downing Street on February 10 at 1 p.m. (the French Memorandum of February 5 was considered and Lord Curzon reported his recent conversation with the French Ambassador), the Prime Minister received a message from M. Krassin, the Soviet Trade Commissioner, asking for an interview. The Lord Privy Seal (Mr. A. Chamberlain) urged that the Prime Minister should be accompanied by Lord Curzon. Lord Curzon pointed out that M. Krassin was not accredited as a diplomatic representative. The Prime Minister said that his intention was to make it clear to M. Krassin that it was not much use if the Soviet Government sent representatives to Genoa unless they were prepared to accept the conditions of January 6 (see No. 6, Appendix). Lord Curzon then agreed to accompany the Prime Minister when he saw M. Krassin at 4.15 p.m. that afternoon.

<sup>4</sup> The question of recognition had been considered in Britain at the end of January by a sub-Committee of the Genoa Preliminary Committee (see No. 29, n. 1, below), appointed to draft the bases of the clauses for a Convention with Russia (see No. 40, below). The Committee had reported as follows: ‘It appears to the sub-Committee that the last paragraph of the Cannes decision of January 6th [see No. 6, Appendix] intended to convey that if the Russian Government accepts the stipulations *de jure* recognition will be accorded. This paragraph runs as follows:

“If in order to secure the conditions necessary for the development of trade in Russia, the Russian Government demands official recognition, the Allied Powers will be prepared to accord such recognition only if the Russian Government accepts the foregoing stipulations.”

“The only apparent interpretation of this clause is that the official recognition contemplated is *de jure* recognition, especially as *de facto* recognition has already been accorded to Russia by the United Kingdom, Italy, Germany and other countries.

‘Support is lent to this view by the following considerations:

- (1) Impossibility of developing trade on any large scale except on the basis of reasonable political and economic stability in Russia, of which the first essentials are regular and official relations with the rest of Europe.
- (2) The certainty that appreciable credits will not be forthcoming unless the Russian Government is recognised as being able to bind its successors. [cont. overleaf]

I was quite ready to discuss these questions confidentially either with the Ambassador or with any representative whom M. Poincaré might send.

- (3) The probability amounting almost to a certainty of the Soviet Government insisting on *de jure* recognition before it will agree to the stipulations in the decision of January 6th.
- (4) The fact that it seems impossible to make any satisfactory arrangements for carrying out any stipulation as to payment of debts except in close co-operation with the Soviet Government.

'The Foreign Office representatives on the sub-Committee withhold their opinion on this question, which is one of political principle, pending its submission to the Secretary of State for Foreign Affairs.

'The Committee before proceeding further with the draft of the Treaty would like to have a decision on the question whether or not His Majesty's Government contemplates granting *de jure* recognition to the Russian Soviet Government if it signifies at Genoa its willingness to accept the stipulations set out in its January 6th decision at Cannes.'

On February 1, Mr. Gregory (Assistant Secretary superintending the Northern Department of the Foreign Office) had written: 'The moment has now arrived in the proceedings of the Russian sub-Committee of the Genoa preliminary Committee when a decision is necessary regarding the vital question of the *de jure* recognition of the Soviet Government.

'It will be seen from the annexed report of the sub-Committee [see above]—to which, in the absence of instructions, I declined, on behalf of the Foreign Office, to subscribe—that a decision in favour of such recognition is held to have been virtually given at Cannes. The statement of what actually was decided there appears, however, to me to be to a certain extent ambiguous and I have never seen any other indication that the Secretary of State has given his full assent to the development in Russian policy involved in *de jure* recognition. On the other hand one of the avowed objects of the Cannes resolutions was to conclude either at Genoa or as a result of the Genoa programme a general peace treaty with Russia and this is of course equivalent to *de jure* recognition. *The conditions* on which such a general peace treaty should be concluded and the *de jure* recognition granted are clearly a matter of essential discussion, but what is required at the moment is to know whether, *in the event of these conditions being fulfilled*, either as an immediate preliminary to the admission of the Bolsheviks to the plenary conferences at Genoa or as a *sine qua non* of their participation in the benefits of any general Convention that may be signed, the Secretary of State is prepared to agree to the *de jure* recognition of Soviet Russia. The main arguments in favour of this step are set out in the report of the sub-Committee. The arguments against it are briefly that the economic results predicted of it will be no greater than those originally predicted by the promoters of the Trade Agreement, and that it will merely have the effect of prolonging the life of the Soviet Government which might otherwise not survive the economic catastrophe with which Russia, owing to Bolshevism, is now threatened. Both these points deal with speculations the discussion of which cannot lead very far. The second, which is political, is however worth considering in the light of the most recent events in Russia. It is in fact the march of events which has made a revision of policy possible, if regrettable on moral grounds. There is a consensus of opinion that there is now no prospect of any alternative to the Soviet Government and there is the undoubted fact that there has been a big swing to the Right. The chances are that the Soviet Government will be forced into line with civilised Governments. The flaw is that this will happen without a change in personalities: and it is precisely the character of these personalities that matters. It is inconceivable that they will renounce their hostility to us, though they may change their methods. The question is, however, whether, having abandoned our boycott and started on the path of recognition by the conclusion of the Trade Agreement, there is sufficient to warrant us in resisting the logical sequence.

'We had hoped before Cannes to prevent the two questions of *de jure* recognition and the acknowledgment by the Soviet Government of its obligations becoming involved in a bargain, by compelling the Soviet Government to subscribe to the doctrine of obligation

But I certainly did not mean to discuss them in an official document to be published in the Parisian press.

I therefore suggested to his Excellency that he should point out to M. Poincaré that there was a better way, and that I should be quite glad to discuss these matters confidentially at some stage between the present date and the date of the Genoa conference with any representative whom he might like to choose for the purpose. Should an official reply to his memorandum be required for purposes of form, it would be much easier to send it after we had arrived at an agreement than at the present stage.

The Count de Saint-Aulaire seemed to be favourably impressed with my argument, which he undertook to transmit to his chief without delay.

Upon the question being raised of the admission of representatives of the Little Entente to the impending discussions in London, which I told the Ambassador had now been accepted by Belgium<sup>5</sup> as well as by Italy,<sup>6</sup> I repeated my adherence to the position which I had formerly taken up, namely, that it would be a great mistake to select the principal group of States in Eastern Europe and extend to them alone a special invitation to the London conversations. I added that I was going to meet the Czechoslovak Prime Minister, Dr. Benes, a little later in the afternoon, and that I should place these views before him.<sup>7</sup>

I may add as a sequel that in my conversation with Dr. Benes an hour later, the latter fully accepted my contention. He added that the Little Entente States were holding a conference of experts themselves to examine these matters from their own point of view.

I told him that had he been present in the country when the discussions were taking place here, we should certainly have asked him to favour us with his advice, but that, inasmuch as he would have returned home, I should be quite pleased, if he had any observations to communicate to us, if he would either instruct his Minister here to do it, or, should he prefer it, if he would send somebody from Prague to represent his opinions. I said that I should

before discussing the question of recognition. That position has clearly had to be abandoned and the matter is now reduced to one of ordinary tactics. It is however of no great practical importance, and it is quite clear, I think, that the Russians will be forced into making all the concessions we wish as a price for recognition. That indeed is the object of our Committee and the most stringent clauses are in process of being drafted the effect of which will be to tie the Russians down on nearly every conceivable point, political and economic. But without recognition we shall of course get nothing. The question is whether it is worth it. Economically it possibly is: politically it is doubtful. But the balance is on the whole in favour. Morally it is deplorable.'

Lord Curzon had commented, on February 2: 'What was said at Cannes was that only in the event of all the stipulations being accepted would the Powers be prepared to recognize [Russia]. But nothing was said committing e.g. France or America or Japan to recognize even were those conditions fulfilled. Great Britain and Italy were more favourably disposed than the remainder. But I certainly never contemplated and do not contemplate recognition (which is a political aim) unless our practical conditions are satisfied also. I think they should be formulated at an early date by an Inter-Departmental Committee.'

<sup>5</sup> See No. 26, n. 5.

<sup>6</sup> See No. 26, n. 6.

<sup>7</sup> Cf. No. 29, below.

give the same advice to any other of the Little Entente States who might ask for an invitation, and I thought—and in this Dr. Benes concurred—that this would be satisfactory to all.

I am, &c.

CURZON OF KEDLESTON

## No. 29

s. 43] *Memorandum of a Conversation held in the Prime Minister's Room, House of Commons, on Friday, February 17, 1922, at 11 a.m.*

[C 2675/458/62]

PRESENT: The Rt. Hon. D. Lloyd George, O.M., M.P., British Prime Minister; Dr. Benes, Prime Minister of Czechoslovakia; Lt.-Col. Sir M. P. A. Hankey, G.C.B.

### *The Genoa Conference.*

THE PRIME MINISTER informed Dr. Benes that an inter-departmental committee<sup>1</sup> had been considering the preparations for the Genoa conference for some time, and had made very considerable progress. He then showed him the report<sup>2</sup> which had been drawn up by Sir Sydney Chapman's committee.

DR. BENES said that through the good offices of Sir Maurice Hankey he had arranged to see Sir Sydney Chapman the same afternoon.

THE PRIME MINISTER said that in that event it was unnecessary for him to go over the same ground. He would give instructions to Sir Sydney Chapman that he was to show Dr. Benes everything he wished to see. Glancing through the papers, he said he gathered that our preparations were in a very advanced state. There was no reason why the French preparations should not be equally advanced, and in that event there seemed no object in postponing the Genoa conference beyond the original date.

DR. BENES said that in Paris he had seen M. Seydoux, who was well disposed; but after his own interview with M. Poincaré he had first come to the conclusion that it was essential that Genoa should be a success. M. Poincaré was in a bad position as regards Genoa for two reasons: first,

<sup>1</sup> This committee, under the chairmanship of Sir S. Chapman, Permanent Secretary of the Board of Trade, had been constituted by the Chancellor of the Exchequer after his return from the Conference of Cannes (see Chapter I). Its terms of reference were to prepare for the consideration of the Cabinet a draft international convention covering the various financial and economic items of the Genoa outline agenda (see No. 21, Appendix 3). The Committee originally comprised representatives of the Treasury and the Board of Trade only, but in view of the political implications of the matters under discussion, it was decided to include Foreign Office representatives. These—Mr. Gregory, Commander Maxse, and Mr. Wigram—were present for the first time at a meeting held by the Committee on January 25. Papers relating to the work of this committee are preserved in the Foreign Office archives (C 1245, C 1250, C 1780, C 2024/458/62).

<sup>2</sup> This, an interim Report, dated February 8, was under consideration by a Conference of Ministers held on February 10 (see No. 28, n. 3).



because he was unable to carry [out] the whole of the Briand policy on this matter; and, secondly, because, when in opposition, he had said things which tied him now. For this reason it was very difficult for him now to make a *volte-face*. Dr. Benes thought, therefore, that it was very important that Great Britain should be prepared to move in some measure towards M. Poincaré, and that he should move some way towards Great Britain, in order that a bridge might be built for agreement. This was essential to the success of the conference, and the success of the conference was essential to Central Europe, and therefore to his country.

THE PRIME MINISTER agreed that it was necessary for France to make a move to the Left. He drew attention to a despatch in the 'Morning Post', according to which some sort of negotiations have been opened between the French Government and the Bolsheviks.<sup>3</sup>

DR. BENES said he knew the origin of these negotiations. He knew Skobelev,<sup>4</sup> who was conducting them. The fact was the French knew that such negotiations were inevitable. Nevertheless, public opinion must be prepared in France as in England.

THE PRIME MINISTER asked why M. Poincaré did not come over for a private talk. He would show him every paper on the Genoa conference he had. If, however, M. Poincaré insisted on long reams of notes and then Lord Curzon had to reply, and then there was a rejoinder and a counter-rejoinder, no means would be found of reaching an agreement. It would have a very good effect here if M. Poincaré would come for an informal talk; otherwise there was a real danger of a breach between Great Britain and France. Opinion here was tending more and more to criticise France, and undoubtedly opinion in France was getting more anti-British. British opinion was tending to move towards Germany. It must be remembered that Great Britain had never fought Germany before the war, and that the population was largely Teutonic in its remoter origin. M. Poincaré's policy was driving the British people more and more in a German direction. After all, the Germans were a great trading people, and so were we. France was not. Trade was life to us, and if we were attacked in our trade and France stood

<sup>3</sup> In his telegram No. 20 of January 28, Lord D'Abernon, H.M. Ambassador in Berlin, had reported that M. Radek, Secretary of the Executive Committee of the Communist International, was alleged to have informed German representatives that France was urging Russia to come to an agreement, and had asked what counter-offer Germany could make. (See Viscount D'Abernon, *An Ambassador of Peace* (London, 1929), vol. i, pp. 250-8, and Wipert von Blücher, *Deutschlands Weg nach Rapallo* (Wiesbaden, 1951), pp. 154-6).

In a minute of February 10, Sir E. Crowe recorded: 'The French Ambassador read to me today a telegram from M. Poincaré, instructing him to inform Lord Curzon that for some time past the Moscow authorities had been making persistent efforts to open up relations with the French Government. The attitude of M. Poincaré was not to give ear to any such overtures at present. He considered that the whole question of establishing diplomatic relations with Moscow and recognising the Soviet Government was one in which the Allied Governments should preferably act in concert. The Genoa Conference offered just the occasion required to settle such a question on the basis of a previously established understanding between the Allies.' Cf. No. 59, n. 2, below.

<sup>4</sup> Monsieur Matvei Skobelev, unofficial Soviet representative in Paris.

in its way we should drift towards other friends. This was a most dangerous and deplorable tendency. It was not happening to-day, but the danger was real and might develop more rapidly than was thought. Great Britain was a country with considerable wealth. Even to-day there were great reserves of wealth. The sovereign was recovering its value in America, and the financial position was improving. To put Great Britain—and it had to be remembered that Italy stood with Great Britain in this—in a position in which we had to deal mainly with Germany and Russia was very dangerous. We did not want to do this, but M. Poincaré was driving us towards it—he and the people round him. The Englishman was slow to anger, but once he had taken a line he was difficult to divert from it.

### *Germany*

DR. BENES said that his country was also an industrial and commercial one. The exchange there also had risen as compared with its neighbours. His country had the same markets and industries as Germany. He was therefore able to understand Mr. Lloyd George's position very well, owing to the similarity of his own country's position. He himself had explained to M. Poincaré that if Genoa came off it meant that Germany would have to be admitted to the League of Nations. Therefore he wanted to talk about Germany. As he understood it, the British position [*sic*] towards Germany before the war had been very simple, because it had been an easy matter to trade with Germany. He thought that now it would be a long time before trade would be possible, owing to the low rate of the mark. Czechoslovakia had its difficulties in trading with Germany for the same reason, but he wished to make a start. It was necessary to prepare a situation in which it would be to the interest of Germany to alter her present financial policy. At present Germany wished to be weak financially, so as to be unable to pay reparations. The French position was that they had to restore the devastated regions, and for this reason must insist on being paid. He supposed, therefore, that the aim should be to have an agreement which would result in Germany's paying money to France, but which would provide at the same time a moratorium to Germany so as to enable that country to improve its financial position. Such a policy would have the effect of raising the cost of production in Germany so that other countries would no longer be unable to compete with her. A reparations settlement on some such lines would clarify the position between France and Germany. If no such agreement was reached, he felt that Europe would fall to pieces. Thus it would be extremely serious if a new orientation of policy resulted in Great Britain gravitating towards Germany and Russia, and Great Britain and France no longer being in agreement. As regards reparations, he had an idea as to how it should be settled. He presumed that in London it was desired to trade with Germany, but that it was not found possible because the mark was so low and that it was found, for the same reason, that British trade could not compete with Germans. That was why 2,000,000 Englishmen were unemployed. The real fundamental reason, therefore, was reparations. The fact was that the

Germans had adopted a financial policy that deliberately aimed at producing this situation. As an instance of this he quoted the case of a small joint railway in Eastern Bohemia, which was used both by Germany and Czechoslovakia. When a Czechoslovak train passed over it the cost of a certain freight would be 45 crowns; when a German train passed over it the cost for the same goods would be only 15 M., which was equal to 5 crowns.

THE PRIME MINISTER remarked that the Germans subsidised their railways.

DR. BENES said that the tariff system was the cause, and this was very dangerous for Germany's competitors. Part of Germany's object in doing this was because she saw the pressure that was on her to pay reparations, and she wanted to be as poor as possible. The policy, therefore, should be to arrange for reparations for France, but for Germany to obtain her interest. She should be given a certain time in which to pay, and at the same time should give immediate satisfaction to France. The real problem in fact was to satisfy the essential needs of France. The second need was to give Germany a certain delay for financial reconstruction in order to give her an interest in putting her finance in a better posture. When that was achieved Germany would not be in so good a position to compete against countries like Great Britain and Czechoslovakia. Further, this policy would produce an agreement between France and Great Britain. Finally, the policy of France and Great Britain in regard to Russia should be gradually brought into line, and reparations should be stabilised. His view was that not only the question of Russia but also that of reparations was of the first importance in the reconstruction of Europe. If reparations were not stabilised there would be a new conference every three months, and great instability and uncertainty. He himself was not opposed to Germany; in fact, he had told M. Poincaré that it was essential he should move to the Left, both in regard to Germany and Russia.

THE PRIME MINISTER asked what had been his reply.

DR. BENES said he thought that M. Poincaré quite well realised the whole position, and that it was really, as Mr. Lloyd George had suggested, a question of a talk between Great Britain and France.

THE PRIME MINISTER said he did not want a big formal talk; just an informal conversation, like the present. Some news of it would, of course, get into the press, but that did not matter. He would, if necessary, run over to Paris to try and clear up the situation, though it would be more convenient, in the present parliamentary situation, if M. Poincaré could come to England. He, however, had now become genuinely afraid of an estrangement with France. Moreover, Italy took the same view as regards Genoa as Great Britain. Whoever came into power in Italy was in favour of the Genoa conference.<sup>5</sup> The late Pope had actually been writing a letter in favour of Genoa at the moment of his death.<sup>6</sup> In fact, Italy was entirely with Great Britain in this matter. Belgium, also, was entirely with Great Britain as

<sup>5</sup> The Bonomi Cabinet had resigned on February 2. The Facta Cabinet was formed on February 26.

<sup>6</sup> Pope Benedict XV (1914-22) had died on January 22.

regards Genoa, though, of course, she did not want to quarrel with France. Belgium was an industrial country which before the war had sold 60 per cent. of its produce in Europe. She was, therefore, even more interested than Great Britain, who had only sold about 25 per cent. of her produce in Europe. As regards reparations, this was a matter which the Genoa conference could not possibly discuss. It was a matter to be settled between the nations interested, and he did not wish the neutral countries which would be represented at Genoa to touch it. The object of Genoa was to deal with economic and trade questions. Above all, however, it was necessary to have peace. The only political question was how to secure peace as an essential to trade. He had seen it suggested in the 'Temps' that there should be trade centres for the Western Powers in Archangel, Petrograd, Odessa and elsewhere. How could they have these, however, unless there was peace? The Russians would not allow it unless they were recognised. That was why he wished to talk to M. Poincaré. He had absolutely no desire to upset the Treaty of Versailles or any of the other treaties. In fact, in the press notice regarding the Genoa conference the following words had been used:—

'Among the essential objects of the conference will be the consideration of the practical measures required to give effect to these principles, and, in particular, to secure, *without injury to the provisions of existing treaties*, the essential conditions for the establishment of confidence between nations without which international commerce cannot revive.'

DR. BENES said he wished once more to revert to his conversation with M. Poincaré. He thought that M. Poincaré was at bottom anxious to come to an agreement with Great Britain, but he had to consider the evolution of French public opinion. The present Chamber was difficult to deal with, though he felt sure that it would change at the next election. On consideration, he had come to the conclusion that it would be necessary to find some plan midway between the British and the French positions, which M. Poincaré could accept. M. Seydoux had accepted all that he himself had said in regard to the necessity for trade with Russia, particularly in order to avert the isolation of France. It would be very difficult for Czechoslovakia and Central Europe if the difference between Great Britain and France was not cleared up.

THE PRIME MINISTER remarked that M. Take Jonescu<sup>7</sup> had said exactly the same thing. It was difficult for Roumania to associate herself definitely with France against England, or with England against France. However, it would be still more formidable if Russia, Germany and Great Britain came together. The present position was one of great potential danger. The British Labour Party was definitely anti-French. He did not think that the Labour Party was strong enough to win an election, though its strength was undoubtedly increasing. The old Liberal Party was also anti-French. Lord Grey<sup>8</sup> had tried to bring it back to a more sympathetic feeling towards

<sup>7</sup> Roumanian Minister of Foreign Affairs in the Averescu Cabinet, which had resigned on December 17, 1921.

<sup>8</sup> Viscount Grey of Fallodon, who, as Sir Edward Grey, was Foreign Secretary from December 1905 to December 1916.

France, but his party had definitely repudiated this. Consequently, two powerful sections of British opinion were openly opposed to France. The party behind him was the only one which still stood by France, and M. Poincaré was doing his best to alienate even this opinion.

DR. BENES said he supposed France was beginning to realise this a little.

THE PRIME MINISTER said that the French Government was too apt to take its views solely from the 'Times' and the 'Morning Post'. These organs did not represent popular opinion, least of all working class opinion, which was becoming anti-French. If the working classes definitely went against France, nothing could resist them.

DR. BENES said that his country was in the same state of political evolution. At the present time 45 per cent. of the electors were Socialists.

THE PRIME MINISTER thought that this was a larger percentage than existed in Great Britain, but he admitted that it was difficult to judge.

DR. BENES said his country had the same industrial and economic questions as Great Britain. Before the war, Germany had occupied [*sic*] 43 per cent. of Czechoslovakia's import trade and had taken 41 per cent. of her exports. The country therefore depended to a great extent on German trade. Thus, it was in their interests to bring France and Germany together. The principal opposing influence was the fear of the resuscitation of the Military Party in Germany, and this rendered necessary some guarantees against Germany. Consequently, he had been very interested in the proposed treaty of guarantee between Great Britain and France.<sup>9</sup> He was not in favour of a German orientation of his country's policy, but he realised that it was necessary to have some system of guarantees in which Germany would participate. If France became isolated it would be a terrible thing for her, and it would divide Eastern Europe, and there would be a real danger from Germany. Consequently, he was in favour of a general economic policy in which Great Britain, France and Italy, as well as Germany and Russia, should participate. France must be brought to realise the importance of not becoming isolated. The same applied to Poland, who would be liable to be crushed between Germany and Russia. If war broke out between Germany and Russia, his country would be liable to be crushed also. What he desired, therefore, was an agreement between Great Britain and France, in order to prevent the adoption of any foolish policy on the Continent. That was why he was so strongly in favour of good relations between Great Britain and France. He was not in the least hostile to Poland and had made many agreements with that country.<sup>10</sup> He thought, however, that if France was

<sup>9</sup> See Nos. 1, 10, and 17.

<sup>10</sup> Czechoslovak-Polish negotiations (July to October 1921) had resulted in a commercial treaty which was signed on October 20, 1921, in Warsaw. This treaty completed and to some extent superseded the agreements of August 21, 1919 and March 12, September 24 and September 26, 1920. On November 6, M. Skirmunt, the Polish Foreign Minister, signed a political agreement with Dr. Benes. The text of this agreement is published in *Documents Diplomatiques relatifs aux conventions d'alliance conclues par la République Tchécoslovaque avec le Royaume des Serbes, Croates et Slaves et le Royaume de Roumanie. Décembre 1919-Août 1921*, pp. 181-4 (published in 1923 by the Czechoslovak Ministry of Foreign Affairs). The

inclined to adopt a foolish policy in Europe she could only be checked by Great Britain. Hence an agreement between France and Great Britain was absolutely necessary. This was the result he hoped for from the Genoa conference.

THE PRIME MINISTER said that if M. Poincaré persisted in this continuous exchange of despatches no agreement could be reached. The Quai d'Orsay was in the habit of giving its despatches to the press. When Lord Curzon answered, his replies were also given to the press or were allowed to leak out. Then the newspapers in both countries took sides and a great controversy arose. There was already a great belief that the French wanted to wreck the Genoa conference. If it did so it would wreck the Entente. M. Poincaré was now wanting Lord Curzon to write him another despatch.<sup>11</sup> If this continued, a state of opinion would be created in this country in which it would be impossible to carry the proposed pact of guarantee. He recalled that in 1919 he had carried the guarantee<sup>12</sup> signed by President Wilson and himself through the House of Commons without a division but this would not by any means be the case in the present incident if the exchange of despatches continued. His suggestion would be that Dr. Benes should see M. Poincaré and talk plainly to him. It was impossible to get questions of this kind settled merely by Ambassadors, and he thought it very important that he and M. Poincaré should meet.

DR. BENES fully agreed in this. He said that the numerous treaties he had concluded with his neighbours had all been reached by personal negotiations between Ministers.

THE PRIME MINISTER said his desire was that he and M. Poincaré should have a meeting. He did not want this to take place in the limelight of extreme publicity, but somewhat informally on the lines of his conversation with Dr. Benes. He would prefer that it took place in London, but if this was impossible for M. Poincaré he would be prepared to go to Paris for a short visit. If M. Poincaré could not possibly come himself, let him send some Minister he trusted, such as M. Barthou<sup>13</sup> or M. Lasteyrie.<sup>14</sup> This was better than any exchange of notes, the continuance of which he would not agree to. He wanted to know definitely whether France was with Great Britain or against her. He suggested that Dr. Benes should put all this to M. Poincaré. He should insist that if M. Poincaré could not come himself, he should send a trusted colleague. The conversation should be purely informal. He would be prepared to show M. Poincaré or his representative everything

text taken from this source is published in Piotr S. Wandycz, *France and Her Eastern Allies 1919-1925* (Minneapolis, 1962), Appendix IV. This work gives (Appendix V) the text of an Annex to the Political Agreement of November 6. For the information concerning a secret protocol, see *ibid.*, p. 250, and Z. J. Gasiorowski, 'Polish-Czechoslovak Relations, 1918-1922', *The Slavonic and East European Review*, vol. XXXV (1956-57), p. 192.

<sup>11</sup> See No. 28.

<sup>12</sup> See No. 2, n. 4.

<sup>13</sup> M. Louis Barthou was Keeper of the Seals and Minister of Justice. He was appointed Head of the French Delegation to the Genoa Conference.

<sup>14</sup> M. Lasteyrie was Minister of Finance in the Poincaré Cabinet.

that the British Government proposed for Genoa. Then the whole situation might be cleared up. If the Genoa conference could not take place on the 8th March, it must be soon after. He could not see any reason why the original date should not be adhered to.

DR. BENES asked if it could not be postponed until April.

THE PRIME MINISTER said that it should not be later than the last week in March.

DR. BENES said he wished to raise the question of the relation of the League of Nations to Genoa. He was not asking that the Genoa conference should be placed entirely in the hands of the League of Nations.

THE PRIME MINISTER pointed out that if this was done, Soviet Russia would never attend the conference. The Russians had an idea that Poland ran the League of Nations and they were very suspicious of the Poles.

DR. BENES asked if it would not be possible to make a division of the subjects to be considered at Genoa and to allow the League of Nations to be associated with certain particular questions. For example, could not the execution of the decisions in regard to Central European questions be remitted to the League, such as questions of the exchange and assistance to Austria, which had already been dealt with by the Financial Committee of the League of Nations.

THE PRIME MINISTER said he had no objection so long as the questions did not affect countries which were not members of the League. For example, unless Germany was admitted to the League, questions affecting her would have to be kept away from the League of Nations. The same applied to Russia. If, however, Russia and Germany were admitted to the League, he would be prepared to leave all the questions affecting them to the League.

DR. BENES thought it essential that Germany should be admitted this year to the League. He thought that Germany would have no objection to certain questions being left to the League to deal with.

THE PRIME MINISTER said that the United States would never participate in the Genoa decisions if they were left in the hands of the League of Nations. If a good scheme for the reconstruction of Europe was reached at Genoa, he thought that the United States would be anxious to participate, but if the scheme was left in the hands of the League of Nations this would not be the case. The present Government of the United States had won the election by opposition to the League, and consequently could not participate in any international business undertaken by the League. The arrangements for reconstituting Eastern Europe would have to be in the hands of a special committee of business men who could supply the money—bankers, industrialists, &c. He could not advise his Government to devote money unless such people were included.

DR. BENES said he only contemplated secondary questions being remitted to the League.

THE PRIME MINISTER said that a short time ago M. Albert Thomas<sup>15</sup> had come to see him, and asked if the Labour Bureau could not be utilised at

<sup>15</sup> M. Albert Thomas was Director of the International Labour Office.

Genoa. He had told him that if this were done America would not come in. He had suggested that M. Thomas should make his preparations as though the bureau was to be employed, and should come to Genoa. It was very important, however, not to exclude American participation by relying on the League of Nations. He repeated that the Russians were very anxious that the Poles should have no control of Russia. They thought that the Poles had great influence in the League of Nations, and therefore they were suspicious of the League.

DR. BENES agreed that in these circumstances it would not do for Russian questions to be left to the League or questions relating to nations which were outside the League. He thought, however, that the execution of some secondary questions might be left to the League.

THE PRIME MINISTER said that he would have no objection to this provided that Germany agreed as regards questions affecting her.

DR. BENES then raised the question of the postponement of the Genoa conference. He said he was going shortly to Italy. Some questions had arisen for settlement in connection with the ex-Emperor Karl's 'Putsch'.<sup>16</sup> In reply to the Prime Minister, he said there was no danger of a further 'Putsch'. The previous attempt had been childish, but it had had a good result in helping to consolidate his own State. He had a good deal to settle with Italy. Afterwards he wished to visit the countries of the Little Entente, Jugoslavia and Roumania, in order to surmount some of their objections to the Genoa conference. Consequently he would not be back in Prague before the last week in February. He hoped, therefore, that there would not be any objection to some postponement.

THE PRIME MINISTER said it must not be beyond the last week in March. There was a great deal of unemployment in Great Britain. Two millions of people were on the brink of starvation, and had only been saved from it by Government assistance. He could not postpone anything which might help to restore trade because of M. Poincaré's objections. The feeling would soon be such that there would be an absolute loathing of France among the working classes. They would think that it was France who was standing in the way of a trade revival.

DR. BENES said he was convinced that much depended on the stabilisation of reparations.

THE PRIME MINISTER said that this was a question between France and Great Britain and other interested Powers. He suggested that Dr. Benes should see M. Poincaré and repeat to him all that he himself had said. He

<sup>16</sup> Ex-King Charles (Hapsburg) made two raids into Hungary in 1921, the first on March 27 and the second on October 20, when he arrived by aircraft in the Burgenland. Here he was joined by irregulars who were endeavouring to prevent the transfer (under the Treaty of Trianon) of this German region from Hungary to Austria. He was arrested by the Hungarian Government on October 24. On November 1, following demands made by the Conference of Ambassadors in Paris, he was handed over to the Allied Powers. Subsequently he was taken to Madeira, where he died on April 1. (See *Documents diplomatiques concernant les tentatives de restauration des Habsbourg sur le trône de Hongrie août 1919-novembre 1921*, published by the Czechoslovak Government in 1922.)



should then ask M. Poincaré if he was willing to meet him informally. He wished the meeting to take place in London, but, if absolutely necessary, he would go to Paris for twenty-four hours, though it would be difficult in the present Parliamentary situation. If M. Poincaré thought it would be better that he should not come himself, Dr. Benes should suggest that he should send some trusted colleague. He thought there might be advantages if Dr. Benes himself could be present at the conversation. He would be very glad if he would come back to London with M. Poincaré and be prepared to explain his own views about the position in Central Europe. If, however, M. Poincaré thought it better to come alone, then Dr. Benes would act accordingly.

DR. BENES said he was entirely at Mr. Lloyd George's disposal in this matter.

THE PRIME MINISTER said that M. Poincaré had proposed that the experts of the Eastern European States should come to London. Except for Czechoslovakia, however, the countries of Eastern Europe could not make any great contribution. He did not think they had studied the question deeply, and Czechoslovakia was the only industrial country among them. Moreover, if the Eastern European States came, it would be difficult to exclude the Scandinavian States. The Swedes, in particular, had a very great economic expert, and then there was M. Termeulen,<sup>17</sup> who in that event ought also to be invited. What would be possible would be for France and Great Britain to go to Genoa a day or two beforehand to discuss some of the questions in advance. The real difficulties were not those of experts, but political in character. He and M. Poincaré would have to clear these up. Then the experts might get to work with some success. Experts could always agree if there was a political agreement. The first thing was an informal conversation in order to reach a political understanding.

DR. BENES said that it was known in France that he was not only a great friend of France, but also grateful in a high degree for what Great Britain had done for Czechoslovakia at the Peace Conference. They knew also that he was earnestly desirous of peace in Europe and that he feared for France.

THE PRIME MINISTER pointed out that France had also alienated opinion in America. There was an opinion there that France was militarist and desired the hegemony in Europe. The same feeling was growing up in Great Britain. France was alienating the whole of opinion in Europe by her action.

DR. BENES said that he thought that France was really beginning to feel this, although they were not fully conscious of it yet. They did many stupid things which created a very bad impression. His President had pointed out that France was rapidly becoming isolated. He intended to say all this to M. Poincaré and to try for a meeting as the only way of bringing Great Britain and France together.

THE PRIME MINISTER said he was certain it was the only way. Despatches would only lead, as he had said, to a press controversy, which would make agreement impossible.

<sup>17</sup> Monsieur C. E. ter Meulen of Hope and Co., later a member of the Dutch delegation to the Genoa Conference.

DR. BENES said he was leaving England on Sunday.<sup>18</sup>

THE PRIME MINISTER suggested that he should repeat in the friendliest way to M. Poincaré the gist of this conversation. He might remind M. Poincaré that he (Mr. Lloyd George) was a very old friend of France. He and M. Labouchere<sup>19</sup> had made the only speeches in favour of France at the time of the Fashoda incident.<sup>20</sup> He had been a follower of Gladstone, who had been a great friend of France, although he was dead before the Fashoda incident.<sup>21</sup> In fact, he himself had been a friend of France all through, but he wanted peace in Europe, and if France was not in favour of peace he would have to go his own way. That was why he wanted to see M. Poincaré. It was much better that he should see him informally, and he would be very glad if Dr. Benes could bring this about, but, if M. Poincaré objected, he should press him to send a trusted colleague.

DR. BENES said his services were entirely at Mr. Lloyd George's disposal for this purpose.

2, Whitehall Gardens, S.W. 1, February 17, 1922

<sup>18</sup> February 19.

<sup>19</sup> Mr. Henry Labouchere, M.P. for Northampton, 1880-1905.

<sup>20</sup> July 1898-March 1899. The incident arose over the occupation, early in July 1898, of the fort at Fashoda by a small French detachment under Captain Marchand; it was closed on March 21, 1899, by the signature of an Anglo-French convention fixing the boundaries of British and French spheres of influence in Africa.

<sup>21</sup> Mr. Gladstone died on May 19, 1898.

## No. 30

*Record by Sir E. Crowe of a Conversation with the French Ambassador*

[C 2598/458/62]

FOREIGN OFFICE, February 18, 1922

The French Ambassador called this afternoon in order to deliver a further message from M. Poincaré on the subject of the preparations for the Genoa conference.

It was a reiteration of the request for a detailed answer to the French memorandum of the 5th February,<sup>1</sup> and the unfortunate impression created in France by our failing to send such answer.

I expressed a little surprise at this message, which appeared to take no account of the answer which we did send,<sup>2</sup> proposing that the points raised in the French memorandum should be discussed at a meeting of officials, nor of Lord Curzon's explanations, given to the Ambassador<sup>3</sup> in very clear terms, why he considered a verbal discussion preferable to an exchange of notes to be published and dissected in the French press.

Count Saint-Aulaire admitted that when M. Poincaré sent his present (telegraphic) message, he must have been aware both of what we had written

<sup>1</sup> See No. 26, n. 2.

<sup>2</sup> No. 26.

<sup>3</sup> See No. 28, n. 1.

and of what Lord Curzon had said verbally. M. Poincaré wished now to point out that there had been no idea of attributing discourtesy to His Majesty's Government for not sending the desired answer to the important questions raised. The absence of an answer created real and practical difficulties. For the French Government considered that a number of the most important points raised were not suitable for discussion by experts. They raised political issues, on which it was essential to have a clear statement of the views of the British Government. Failing this, the French Government could not see their way to enter the Genoa conference. Moreover, the French experts, whose proceeding to London M. Poincaré had approved,<sup>3</sup> could not, as he now found, be ready in eight to ten days, as the deliberations of the French inter-departmental committee would necessarily take some time, and before the necessary instructions could be given to the French experts on the basis of the conclusions to be arrived at by that committee, their approval by the French Cabinet must be obtained. Further delay, accordingly, was inevitable. He also again pressed for the participation of the Little Entente in the preparation of the proposals to be brought by the Allies before the Genoa conference, and hoped for an early affirmative answer on this point from His Majesty's Government. Meanwhile, so long as the French memorandum remained unanswered, there would be fresh and continued agitation in the French press, and M. Poincaré did not know how to deal with this situation, if we did not meet his request.

I suggested to the Ambassador whether it had not occurred to him or to M. Poincaré, as one way of dealing with the alleged difficulty, simply to tell the French press the plain truth. Why did they allow the 'Temps' and other newspapers to publish violent diatribes based on a purely fictitious account of the situation?

Surely it was not true that the British Government had made no answer. They have answered by proposing a verbal instead of a written discussion. Why not say so? Since then, in reply to the French objection that some of the questions raised issues of a political character not to be disposed of by discussions between expert officials, Lord Curzon had expressed his readiness, nay, his anxiety, to arrive at a clear understanding with the French Government on all such questions, but had suggested as the more appropriate and expeditious method of doing so, that either the Ambassador himself or some personage high in M. Poincaré's confidence, to be specially deputed to London, should enter into confidential conversations with his Lordship. Was this not an answer of a most conciliatory and friendly character? Why let the French public remain under the impression that the French communications were treated with neglect?

It seemed indeed that our answers and suggestions did not recommend themselves to M. Poincaré. It was open to him, if he must reveal anything to the press, to tell them that. It might not be helpful towards a solution, but it was better than allowing the French press to continue on its one-sided and rather untruthful lines, and making this the ground of further pressure on the British Government.

Count Saint-Aulaire said he could not but admit that there was force in what I suggested, and he would, in writing to Paris, advocate the adoption of some such course. He must, however, repeat that it ought to be possible for us to give a written answer to some of the principal political questions put in M. Poincaré's memorandum, without provoking any unpleasant controversies in the press in the event of our views being published.

I asked what were the precise questions he had particularly in view, remarking that it was often very easy to put questions and demand categorical answers, when to frame such answers in a satisfactory way was a task of extreme difficulty.

The Ambassador replied that he expected to receive from M. Poincaré very shortly a precise list of the questions to which he attached supreme importance. He expected these would be, above all, (a) the question whether the Soviet representatives should be refused admittance except on their definitely accepting the Cannes conditions; (b) an unambiguous declaration that the question of reparations was one for decision by the Allies alone, and not admitting of the interference in any shape of former enemies or neutrals; (c) the recognition of the authority of the League of Nations in all matters within its competence; and (d) the sacrosanct character of 'the treaties'.

I said we would wait for the promised further communication<sup>4</sup> on these and similar matters. I felt sure it would receive every consideration at Lord Curzon's hands.

Meanwhile, I reminded the Ambassador, as regards the Soviet delegates, that the question was fully debated at Cannes whether their invitation and admission should be made dependent on the prior acceptance of the conditions then formulated, or not. M. Briand had pleaded for the affirmative,

<sup>4</sup> This further communication, dated February 19, in the form of a letter to Sir E. Crowe, called attention to paragraphs in the French Memorandum of February 5 (see No. 26, n. 2). It ran as follows:

'1. Paragraphe 4, *in fine*: Constatation avant toute délibération de la conférence que, par leur présence même à la conférence, toutes les Puissances représentées manifestent leur complet accord sur les principes fondamentaux reconnus comme base nécessaire de leur collaboration et la condition essentielle de leur réunion.

'2. Paragraphes 7, 9 et 26: Interprétation et portée de l'article 3 du programme, "conditions nécessaires à la restauration de la confiance, sans porter atteinte aux traités existants".  
Reconnaissance par les neutres et la Russie de ces traités.

'3. Paragraphe 8: La restriction qui figure à l'article 3 du programme, "sans porter atteinte aux traités existants," s'applique à tout l'ensemble du programme et doit dominer toutes les discussions de Gênes.

'4. Paragraphe 10: Sens et portée du principe de non-intervention.

'5. Paragraphe 12: Explication au sujet des dettes publiques.

'6. Paragraphe 15: Accueil à faire aux réclamations que les Russes feront entendre pour restituer et réparer.

'7. Paragraphe 19: Portée de l'engagement de ne pas se livrer à une propagande politique dans d'autres pays.

'8. Paragraphe 20: Portée de l'engagement de s'abstenir de toute agression sur les pays voisins. Rôle de la Société des Nations à cet égard.

'9. Paragraphe 25: Sens et portée de l'article II du programme, "établissement de la paix européenne sur des bases solides".'

but had eventually agreed to abandon this attitude.<sup>5</sup> Thereupon the invitation<sup>6</sup> was issued and accepted.<sup>7</sup> It seemed to me difficult to reverse the decision formally arrived at then. Nevertheless, as Lord Curzon has already informed him, Mr. Lloyd George had put every pressure on the Russians to declare their formal acceptance of the Cannes conditions before they proceeded to Genoa.<sup>8</sup> What more could M. Poincaré want?

As regards reparations, surely it was axiomatic, and required neither reaffirmation nor discussion, that the terms of the peace treaties could not be altered except by the signatories. But, I asked, did M. Poincaré mean that the subject of German reparations must never be mentioned at Genoa? Was the conference to be debarred from discussing any schemes for the economic reconstruction of Europe which would affect, or be affected by, the operation of the reparation machinery? It appeared to me idle to seek remedies for the existing economic stagnation in Europe, and even in America, if the manner in which the situation was affected by the reparation problem was a subject to be tabooed.

As for the question of the treaties and the League of Nations, I said I felt rather disposed to turn the tables on M. Poincaré. He wanted our precise views in answer to his questions. I should like to ask what precisely he was driving at by his questions.

Count Saint-Aulaire expressed sympathy with this point of view, and trusted that M. Poincaré's further communication would both make quite clear what he desired to know and facilitate our task in finding the answer.

E. A. C.

<sup>5</sup> See No. 19, minute 1.

<sup>6</sup> No. 19, Appendix 1.

<sup>7</sup> In a telegram of January 31 from M. Chicherin to Signor Bonomi. A copy of this telegram was transmitted to the Foreign Office by Sir R. Graham in Rome despatch No. 97 of February 2, 1922.

<sup>8</sup> See No. 28, n. 3.

### No. 31

s. 46] *Memorandum of a Meeting held at 10, Downing Street, London, S.W., on Monday, February 20, 1922, at 7.30 p.m.*

[C 2739/458/62]

PRESENT: The Right Hon. D. Lloyd George, O.M., M.P., British Prime Minister; Dr. Benes, Prime Minister of Czechoslovakia; Lieut.-Col. Sir M. P. A. Hankey, G.C.B.

#### *The Genoa Conference.*

(Note.—On the same morning at 10.30 a.m. Dr. Benes had handed Sir Maurice Hankey, for communication to the Prime Minister, a copy of an *aide-mémoire* which he had prepared for presentation to M. Poincaré on the following day, and had asked if the Prime Minister had any objection to it. After consulting the Prime Minister, Sir Maurice Hankey had informed Dr. Benes earlier in the afternoon that the *aide-mémoire* was unacceptable,

particularly in its references to Russia. This *aide-mémoire* was the subject of discussion at the meeting here recorded. A copy is attached in the Appendix.)

THE PRIME MINISTER said that it was not sufficient justification of the conference merely to conclude a general trade agreement with Russia. Great Britain had such a trade agreement<sup>1</sup> already and Czechoslovakia could have it when she wished. Moreover, the mere existence of a trade agreement would not induce capitalists to lend money to Russia. The City would not be satisfied to lend money unless the Russian Government had been recognised.

DR. BENES agreed that credit would not be given in advance of recognition. Even if, however, the Genoa conference should decide that the Soviet Government was to be recognised, still the City would not give money. In any case, recognition must come before credit. That had always been his idea. His plan had been first to establish trading relations, then to state conditions on which recognition could be given. Of course, if the Soviet accepted and the various countries agreed, then the Bolsheviks might be recognised at Genoa. He was inclined to think they would accept the conditions. What, he asked, was the use of recognition if the situation in Russia remained as it is to-day. A simple signature would not be sufficient to change those conditions. The carrying out of the conditions would have to be proved. Further, he had thought that if the question of recognition was raised, it would affront many of the States represented at Genoa.

THE PRIME MINISTER asked which States.

DR. BENES replied some of the neutrals; for example, Holland and, he thought, Switzerland.

THE PRIME MINISTER doubted if Switzerland would be affronted. Holland was not a great industrial country and did not much matter. The countries which mattered were Sweden, and, to a lesser extent, Norway, Belgium, Switzerland, Czechoslovakia and perhaps Roumania. Poland would go with France in any case. He felt sure there would be no economic reconstruction in Russia without some Western control over railways and docks. Russia, however, would not grant this without recognition. The moment she was asked for it, Russia would demand to be recognised. He asked, therefore, that recognition should not be ruled out at the outset. Without such guarantees as control of railways and ports, no credit would be given.

DR. BENES said that his view was that the ultimate goal of recognition could be reached more rapidly by taking the question step by step. France would be unwilling to move very rapidly, and, moreover, he doubted whether the Russians would grant control of railways and ports.

THE PRIME MINISTER said that in that event they would get no credit.

DR. BENES said that, so far as he knew, the Bolsheviks—and he had spoken with Rakowsky<sup>2</sup>—did not want to go to Cannosa. Their object was to take

<sup>1</sup> Of March 16, 1921 (see Cmd. 1207 (1921), and *B.F.S.P.*, vol. 114, pp. 373-9).

<sup>2</sup> See No. 19, n. 9.

a step forward. If too much were attempted, he feared the conference would be a failure. The only plan was to go step by step.

THE PRIME MINISTER pointed out that Great Britain had had a trade agreement for many months, but the traders would not go to Russia unless agents, consuls and Ambassadors were appointed and full relations were established. Without this they declined to trade. The terms of the British trade agreement had been very severe and no more could be done on these lines. It was not worth going to Genoa merely to get more trade agreements. It would be a great mistake for the Powers to tie their hands before they went to Genoa. Of course, if the Russians refused the conditions, then the conference would have to do the best it could without them. For example, they might restore the exchanges and establish trade in Central Europe. This would not complete reconstruction, but it was something. Without European help he felt sure that Russia would collapse and the Bolsheviks with her. He believed European help was absolutely essential to the Bolsheviks and that they could not do without it. For this reason he thought the Bolsheviks would give any terms that the Western Powers asked. If Lenin came back from Genoa with nothing in his hands, he would be overthrown.

DR. BENES thought it was quite possible that a situation might arise at Genoa when the Bolsheviks would say, 'We do not want recognition'. He would not exclude this possibility.

THE PRIME MINISTER hoped that Dr. Benes would not make up his mind that this was certain. Of course, if control of Russian railways and ports could be obtained without recognition, so much the better. His view was that they could not. The British trade agreement was very complete of its kind, yet it was totally insufficient to give guarantees for trade. The Russians would not recognise their pre-war debts without recognition.

DR. BENES said he wanted recognition, but we must prepare Europe for it. He thought that if the Genoa conference were to fail over the question of recognition, recognition would take longer to obtain than if there had been no Genoa conference. As regards the pre-war debts of Russia, he thought that to grant recognition in return for their acknowledgment was too high a price to pay. He would only pay that price for political concessions in addition. The recognition of pre-war debts by Russia would come the moment that credit was given to her. He thought greater progress would be made by dividing the questions as he had proposed.

THE PRIME MINISTER said that in that event Genoa would accomplish nothing; it would furnish a mere scrap of paper. All Dr. Benes said was, 'Let us have a trade agreement'. It would merely be to come back with a piece of paper that could not be cashed at any bank.

DR. BENES said the Bolsheviks were very anxious to get a trade agreement.

THE PRIME MINISTER said in that case let them pay the price. If we could get the price we desired now, let us take it. If we could not do so, we could not. Let us, however, obtain as much as we could. Do not let us, at this stage, say that we will not recognise without obtaining our whole price. If we were to say, 'Here is a syndicate with a capital of £25,000,000 which is

ready to put your railways in order,' it was not unlikely they would pay the price.

DR. BENES asked how Mr. Lloyd George would propose to ensure that the Bolsheviks would keep to their bargain.

THE PRIME MINISTER said that the Russian Government even in that case would not be the only one that failed in its engagements.

DR. BENES said there was a difference between the Bolsheviks and other Powers, because the engagement they would be asked to keep would be a fundamental principle of international law and justice. Up to now they had not kept it. Only a year ago M. Krassin<sup>3</sup> had told him that international law was an invention of the *bourgeoisie*.

THE PRIME MINISTER said he had information that unless the Bolsheviks could get help they were lost. He referred to a report<sup>4</sup> by Mr. Hodgson, the British agent in Moscow, who was convinced that the Bolsheviks would be compelled to come to terms. If Lenin came to Genoa and went back empty-handed, the Bolsheviks would be lost; Russia would rebel.

DR. BENES said that in any event Lenin would not come himself to Genoa.

THE PRIME MINISTER said that might be so, but he would send a delegation. He then read extracts from Mr. Hodgson's report, and pointed out that in the main the conditions which Mr. Hodgson proposed should be obtained from the Bolsheviks were those which Dr. Benes himself proposed.<sup>5</sup> Mr.

<sup>3</sup> See No. 4, n. 3.

<sup>4</sup> In this report dated February 3 (N 1372/646/38), Mr. R. M. Hodgson, Head of the British Commercial Mission to Russia with official designation British Agent, who was on a visit to London, had written: 'Just as the Bolshevik Government seeks to avoid a complete breakdown within Russia by abandoning its original programme of State-run industry supplying State-controlled agriculture, and attaining in its place the alliance between the peasants and the workers, so in the field of foreign policy it finds itself obliged to compromise with the capitalist world, which refused to become a victim of the doctrines which have devastated Russia. The first notable success in this direction was the conclusion of the Anglo-Russian Trade Agreement.

'But neither the Anglo-Russian Trade Agreement nor the other agreements of a more or less similar nature which Russia has concluded with various foreign Powers have given her the sense of security or the material results for which she hoped. Her rulers feel that *de facto* recognition is insufficient to extricate the country from her condition of collapse, that Russia needs again to enter into the society of nations and that only *de jure* recognition can give her such definite advantages as may permit of hope for her reconstruction.

'The Bolshevik Government is doubtless sincerely anxious to obtain such recognition, and is prepared to abandon important items in what still exists of the Communist programme in order to win it.'

<sup>5</sup> Mr. Hodgson had written: 'It now becomes necessary to enumerate various headings in the economical field which would appear to require discussion with the Soviet Government. The following list is only a tentative one, and has no pretension to be exhaustive:—

'1. Freedom of foreign trade, i.e., the abolition of the Government monopoly of imports and exports.

'It is evident that as long as this monopoly exists no serious progress can be made in the direction of commercial dealings with Russia. Russia has neither goods nor currency with which to purchase foreign imports, and the restoration of internal trade can only take place as the result of a gradual process of infiltration of foreign capital for the purpose of building up her industries.



Hodgson also pointed out that there was a nationalist feeling growing up in Russia, which was gradually overcoming the previous international idea.<sup>6</sup>

*'Note (A).—The freedom of foreign trade should include freedom to deal in foreign exchange.*

*'Note (B).—The question of a conventional tariff of the same nature as that which previously existed between Russia and Germany would arise under this heading.*

*'2. Civil and criminal codes to be drawn up and courts free from class prejudice to be re-established.*

*'This is another condition essential to any foreign enterprise being started in Russia. At present there is no justice, the so-called "people's courts" being utterly inefficient and untrustworthy. No person representing capital in any form or shape could hope for justice under conditions at present prevailing.*

*'Lenin has already promised that the powers of the "Extraordinary Commission" shall be curtailed; it is expected that a new criminal code will be promulgated in the near future and will be followed shortly by a civil code. It will be necessary to be acquainted with this new legislation before deciding whether its provisions are such as to justify foreigners re-entering Russia.*

*'The proposal which is being put forward in some quarters of granting quasi ex-territorial privileges to foreigners is to be deprecated. It would in practice be unworkable and would be the source of discontent and friction.*

*'3. The restoration of the personal property of British subjects and payment of compensation for such property where confiscated, lost or destroyed.*

*'4. Restoration of real and industrial property, mining rights, &c., or compensation for loss of the same, destruction or damage.*

*'5. Acknowledgment of liability in respect of Government, municipal and other bonds and compensation to holders.*

*'Note.—It will be necessary to reach an understanding in the matter of the valuation of such property. Possibly 40 roubles to the pound, being the exchange rate at the time of the Bolshevik revolution, might be taken as a basis for settlement. Values might be estimated at the price at which bonds were acquired. Bank balances will presumably be repaid on the general principle of the valuation above indicated.*

*'6. Restoration of property of British churches, charities and trusts, cemeteries, memorials, &c.*

*'7. Recognition of British liability companies and facilities for them to work in Russia. Legal position to be given to British banks and insurance companies with the right to open branches in Russia.*

*'8. Facilities to be granted for British shipping trading to Russian ports, particularly the abolition of tiresome and inquisitory police interference. An arrangement to be reached on the subject of coasting trade and, if possible, in the matter of close seas and the 3-mile limit.*

*'9. Unambiguous statement as to freedom from civil and military levies and requisitions and military service.*

*'10. Passport, nationality and naturalisation regulations, with rules governing rights of British subjects to enter and leave Russia with effects and movable property.*

*'11. Most-favoured-nation treatment and freedom of foreigners from discriminatory taxation.*

*'12. Consular convention.*

*'13. Posts and telegraphs.*

*'14. Establishment of mixed claims commission, with agreement on general principles to be issued for its guidance.*

*'15. Patents, copyrights, trade-marks, &c.*

*'16. Satisfaction of claims for wages due and for damages resulting from death, privation and imprisonment.'*

*\* Mr. Hodgson's report ran: 'So far the Bolshevik Government has been composed*

DR. BENES said this was true. He said he was afraid of other countries that would be represented at Genoa. He himself desired an agreement with the Bolsheviks, but the transport to and from Czechoslovakia depended on conditions in other countries that were not so far advanced in their ideas, as regards Russia, as his own.

THE PRIME MINISTER pointed out that Great Britain and Italy were prepared for recognition under proper conditions. M. Briand had also been ready for this. That provided for three countries. He hoped that Czechoslovakia would also take the same line. How, then, could other countries stand out? He had some reason to believe that M. Poincaré was ready for a conversation with him, whether at Calais, Boulogne or Folkestone. He thought possibly this might take place soon.<sup>7</sup> He asked, at any rate, that Dr. Benes should not rule out recognition. If the Powers were satisfied with the conditions of recognition, let them recognise Soviet Russia. If not, then they would not. He hoped, however, they would not go to Genoa with their minds made up against recognition.

DR. BENES said he understood Mr. Lloyd George wanted them to keep an open mind.

THE PRIME MINISTER replied in the affirmative. He thought the proper course would be to say, 'We will not recognise unless you will agree to such and such conditions'.

DR. BENES said he would correct this point in his memorandum.

THE PRIME MINISTER said the way to put it was that we would not recognise unless satisfied of certain conditions. Then a decision could be taken when the Powers met the Bolsheviks. They might prove unsatisfactory.

DR. BENES said he was rather sceptical. He thought the Russians would also put their conditions.

THE PRIME MINISTER said that very likely he would not be able to look at their conditions. He could not tell until he knew what they were.

DR. BENES said that they would put conditions for payment on account of the Czechoslovakia legionaries. Czechoslovakia could not possibly accept this. Their legionaries had done a great work in Russia and had controlled the whole machinery of Siberia for a long time. They were not going to pay for any damage these men might have done.<sup>8</sup>

exclusively of Communists and its attitude towards questions of internal or external moment dictated by the Central Committee of the Communist Party.

'The Communist Party, on the other hand, has been so inextricably involved with the Third International that it could be said with perfect justice that the "Comintern" practically controlled the policy of the Russian Government. Now the "Comintern," which has lost the support of kindred groups in foreign countries, finds its influence waning in Russia, as its international complexion inevitably brings it into conflict with a Government which circumstances are inevitably rendering Nationalist.'

<sup>7</sup> Conversations were arranged to take place at Boulogne on February 25 (see No. 34, below).

<sup>8</sup> The Czech Legion of some 50,000 men had been formed out of Czech prisoners of war captured by the Russians from the Austro-Hungarian armies. M. Benes had agreed that these men should create a diversion to cover Allied landings at the northern Russian ports and at Vladivostok. Towards the end of May 1918, these legionaries resisted an attempt

THE PRIME MINISTER said, 'Neither was Great Britain'.

DR. BENES said he saw Mr. Lloyd George's point of view, and he would amend his memorandum to show that recognition would be given according as whether the Russians would accept the political and economic conditions or not. He asked if Mr. Lloyd George had any remarks to make about the remainder of his document.

THE PRIME MINISTER called attention to clause 8, suggesting that the non-aggression clause should be passed as a resolution. He would prefer it to be in the form of a treaty.

DR. BENES said this was not possible, unless the Bolsheviks were recognised.

THE PRIME MINISTER said that was one of the reasons why he wanted them recognised.

DR. BENES said that another reason was that most of the Powers present at Genoa had signed the non-aggression clause of the League of Nations. Germany, though not a member of the League, had also signed it. In fact, all the Powers had done so, except Russia. He was afraid that the League of Nations would be pushed aside completely if there was a further non-aggression treaty.

THE PRIME MINISTER pointed out that a country like Roumania would be in a much better position if Russia had signed a non-aggression treaty. Russia would not be bound by the resolution, but a treaty would afford some safeguard.

DR. BENES said he would like to have a whole network of treaties, and had nothing against it, but he warned the Prime Minister he must be prepared for a protest in regard to the League of Nations.

THE PRIME MINISTER said that if France would agree to admit Russia to the League of Nations he would be quite content.

DR. BENES said it was not a point on which he laid great stress; the really important point was the one relating to Russia.

THE PRIME MINISTER said he would like to use the form of the Cannes resolution, where it was stated that the Allied Powers would be prepared to accord recognition only if the Russian Government accepted certain stipulations.<sup>9</sup>

DR. BENES said that he was leaving for France on the following morning, and M. Masaryk<sup>10</sup> would accompany him, and would return with a letter to Mr. Lloyd George after he had seen M. Poincaré.

THE PRIME MINISTER, in bidding farewell to Dr. Benes, expressed the hope that he would meet him shortly at Genoa.

2, Whitehall Gardens, S.W., February 20, 1922

by the Bolsheviks to draft them into the Red Army. When, however, the Bolsheviks captured Kazan (on September 18), the Czechs were forced to retire to the Urals, whence in small parties they made their way to Vladivostok.

<sup>9</sup> See No. 6, Appendix.

<sup>10</sup> M. Jan Masaryk, Counsellor in the Czechoslovak Legation in London.

## APPENDIX TO NO. 31

### DRAFT AIDE-MÉMOIRE PREPARED BY DR. BENES FOR PRESENTATION TO M. POINCARÉ.

#### *General Principles for the Organisation of the Genoa Conference.*

In order that the conference of Genoa is able to arrive at real results and be truly successful in solving the economic and financial problems, considered from a general European point of view, and problems concerning Russia in particular, it is generally agreed, in view of the general political situation, to submit its organisation to the following principles:—

1. A short postponement, in all cases to the end of March between the 25th and 28th, shall be decided upon.
2. The treaties of peace shall not be discussed.
3. The reparations shall not be discussed.
4. The participation of the Soviet representatives in the conference does not imply political recognition of the Soviet Government. The procedure to be adopted with regard to the Russian question is to be as follows:
  - (a.) After the opening of the conference a committee will be appointed to deal with the Russian economic questions; this committee to investigate the conditions under which immediate commercial relations with Russia could be started (questions of concessions, of courts of law, of the application of international law, of private property, of public and private debts, of compensations for destroyed foreign property, &c.).
  - (b.) The resolution passed by this committee will render possible economic and commercial arrangements with Russia which can be concluded between the different States and Russia in form of commercial treaties or special arrangements. This will constitute the first step.
  - (c.) The principal political conditions shall then be determined, the realisation of which is to lead to a *de jure* recognition of Russia. The best thing for the practical realisation of these conditions will be to introduce a certain delay in order that on the one hand the Russian Government could give proofs of its sincerity, and on the other hand the States concerned could make certain that the engagements entered into at the conference have been kept.
5. The participation of the Little Entente in the Committee of Allied Experts in London is to be solved in an indirect way: without being invited, the States of the Little Entente, as well as Poland, can send their experts to London and take part in the work of the committee in a semi-official manner.
6. The League of Nations will not be able to take the basic work of the conference upon itself; but since, on the other hand, the conference during its session will be able to touch upon many questions which have already been dealt with by the League, or eventually will be able to pass resolutions the execution of which could easily be handed over to the permanent organs of the League, or to the International Labour Bureau, the League of Nations will thus be led to participate in the labours of the conference.
7. The results of the work of the Economic Committee will be summed up and formulated in the form of a convention or a protocol, as it was done at the conference of Portorož,<sup>11</sup> to which all the members of the conference would adhere,

<sup>11</sup> The Porto Rose Economic Conference, under the Presidency of Baron Romano Avezzana, was concerned with postal, telegraphic, telephonic, and transport services of

and which they would submit for ratification to their respective Governments or Parliaments according to the constitution of their respective countries. Otherwise, the conference in principle will formulate the results of its discussions only in the form of recommendations.

8. The non-aggression clause shall be passed as a kind of resolution of the conference to reaffirm in a solemn manner the will towards a general peace of Europe.

This could eventually prove to be one of the forward steps towards the pacification of Europe, i.e., towards the preparation of the ground for a European treaty of guarantee, eventually including Germany.<sup>12</sup>

former Austro-Hungarian territories. Copies of the Final Protocol of November 23, 1921, were transmitted to the Foreign Office by the Italian Ambassador on March 23, 1922 (C 4385/397/62).

<sup>12</sup> On February 22, M. Benes communicated a Memorandum (C 2621/458/62) to No. 10 Downing Street. Among several variations from the Memorandum here printed, was the following (paragraph 4c): 'In the next place, the *political* conditions for the *de jure* recognition of Russia would be laid down. The question of actual *de jure* recognition to remain open and to depend on the results achieved by the conference.'

## No. 32

*The Marquess Curzon of Kedleston to Lord Hardinge (Paris)*

No. 528 [C 2673/458/62]

*Confidential*

FOREIGN OFFICE, February 21, 1922

My Lord,

When the French Ambassador called upon me this afternoon he had apparently not received the latest information from Paris to the effect that M. Poincaré, in response to my suggestion, had indicated his willingness to meet a British Minister at an early date in France.<sup>1</sup> Nor had he apparently seen the telegram from your Lordship<sup>2</sup> in which, in place of the nine points enumerated by the Ambassador on Saturday last as in the opinion of the French Government needing an immediate reply<sup>3</sup> before the Genoa Conference could be held, M. Poincaré had now sought assurances on three points, namely, that the Genoa meeting should not be in any way interpreted as an attack upon the Treaty of Versailles, as an infringement of the Covenant of the League of Nations or as an interference with the question of reparations.

I said to the Ambassador that I thought that there would not be the slightest difficulty in reassuring M. Poincaré on these three points, and that this was the first I had heard of any doubt being raised in that respect. However, a new aspect had been put upon the entire situation by the suggested visit to France, and I had every reason to hope that the Prime Minister himself would take advantage of the occasion and offer to go to

<sup>1</sup> This had been reported by Lord Hardinge in his telegram No. 95 of February 21, not printed.

<sup>2</sup> Paris telegram No. 92 of February 20, not printed.

<sup>3</sup> See No. 30, n. 4.

France to meet M. Poincaré in a few days' time. In these circumstances I thought it useless to pursue the discussion, which had occupied so much of our recent time.

At the same time, I felt it my duty to protest to the Count de Saint-Aulaire against the campaign of invidious suggestion and insinuation now being carried on day by day in the French press, indicating that it was British hesitancy, British delay and British refusal to reply that were responsible for the strained circumstances. The French Government knew perfectly well that this was not the case, and I had every reason to believe that they had it in their power to contradict these statements at once. I was bound to tell the Ambassador that the effect of these constant, and, as it appeared, deliberate, misrepresentations was beginning to tell upon us here, and to leave upon the minds of my colleagues and myself the impression that nothing we could do would satisfy the French Government, and that it was they who wanted to find some excuse, not for drawing closer together, but for moving farther away. I had hitherto, I said, acted upon the assumption that the main desire of the French Government was to conclude the agreement—commonly known as the 'Pact'<sup>4</sup>—between ourselves. I could not, however, conceal from the Ambassador the feeling that the pursuit of these tactics in France, and the impression which they created in the newspapers that M. Poincaré was manufacturing reasons for disagreement and delay, must in the long run—and probably sooner—react very unfavourably upon our joint desires, and predispose both the Cabinet and the House of Commons to take a much less favourable view of the agreement than they had at first been disposed to do. It seemed to me, in fact, that the French tactics, from whatever point of view they were regarded, were greatly mistaken. It was M. Poincaré himself who had suggested a return to the older form of diplomatic intercourse by conversation between the Ambassadors and the Foreign Ministers. No sooner had this been inaugurated than he insisted on an exchange and publication of notes. He had promised to send over his experts within a week,<sup>5</sup> but two days later he found some good reason for postponing their visit for ten days or a fortnight.<sup>6</sup> When I first proposed a friendly discussion, he retaliated by insisting on a memorandum. Surely, if these methods were adopted, we should find ourselves drifting into a wrong course, and might even in the end find that we did not get into harbour at all. Now, apparently, that the conversation for which I had always pleaded was likely to take place, I did not desire to pursue the subject; but I hoped the

<sup>4</sup> See Nos. 1, 10, and 11.

<sup>5</sup> In his telegram No. 81 of February 14, Lord Hardinge had reported that M. Poincaré had stated that the representatives had been appointed and would be 'ready in a few days to proceed to London'.

<sup>6</sup> In his telegram No. 90 of February 20, Lord Hardinge reported that M. Poincaré had said he would make special efforts to ensure that the representatives should be 'ready for a meeting in London at the beginning of next week'. Lord Hardinge continued: 'He says, however, that he will not allow them to start until he has received a certain guarantee which can be made public of which details [see No. 30, n. 4] are to-day in the hands of French Ambassador, London.'

Ambassador, with whom, I said, my personal relations had always been of the most agreeable character, would not resent my giving him the warning that I had done.

I am, &c.

CURZON OF KEDLESTON

No. 33

*Letter from Mr. Waterlow<sup>1</sup> to M. Krassin*

[C 2170/458/62]

FOREIGN OFFICE, *February 22, 1922*

Sir,

In reply to your letter of the 13th February,<sup>2</sup> I am directed by the Under-Secretary of State for Foreign Affairs to point out that there appears to be a complete misunderstanding on the part of the Russian Soviet Government respecting the character and scope of the Genoa conference.

2. This conference will in no way be concerned with the Turkish question,<sup>3</sup> and in any case the question of the issue of an invitation to the Turkish Government to participate in such a conference does not appear to be one in which the Russian trade delegation in London or the Soviet Government at Moscow are concerned.

I have, &c.

S. P. WATERLOW

<sup>1</sup> Mr. S. P. Waterlow, a member of the Central European Department of the Foreign Office.

<sup>2</sup> This ran: 'M. Krassin presents his compliments to the Under-Secretary of State for Foreign Affairs, and begs to state that the Russian Soviet Government has learned with great surprise that the Turkish Government, elected by the Great National Assembly at Angora, has not been invited to the Genoa conference. The Russian Soviet Government considers it necessary to draw the attention of the Government of Great Britain to the fact that, in its opinion, the participation of the Turkish Government in an international conference, where questions of peace and normal relations between the European countries will be discussed, is very important and indispensable for the ultimate success of the conference.

'Russia is specially anxious that the questions in dispute among the countries of the Black Sea, and especially the question of the straits, should be settled at the conference, and, for this reason, the Russian Soviet Government appeals to the Government of Great Britain to use its influence towards obtaining the participation of the Turkish Government in the Genoa conference.'

<sup>3</sup> See Vol. XVII.

I.C.P. 236] *British Secretary's Notes of a Meeting held at the Sous-Préfecture, Boulogne, on Saturday, February 25, 1922, at 2.45 p.m.*

(Revised after comparison with French notes)

PRESENT: *Great Britain*: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; Sir M. P. A. Hankey, G.C.B.

*France*: M. Poincaré, President of the Council; M. de Peretti de la Rocca, Director of Political and Commercial Affairs at the Ministry for Foreign Affairs.

INTERPRETER: M. Camerlynck.

*Order of Business.*

1. M. POINCARÉ asked if Mr. Lloyd George had any preference in regard to the order of business.

MR. LLOYD GEORGE replied that he had not.

M. POINCARÉ said he supposed the main object of the meeting was to discuss the preparations for the Genoa conference, unless Mr. Lloyd George preferred to start discussing the pact.<sup>1</sup> The two subjects were not very immediately connected with one another.

MR. LLOYD GEORGE said he was quite content to start by discussing the Genoa conference.

*The Genoa Conference. M. Poincaré's Preliminary Observations.*

2. M. POINCARÉ said he wished at the outset to renew his assurances most emphatically that France had every desire to assist in the preparations of the Genoa conference. Her attitude had not been imposed in an obstructive spirit, and France had no desire to prevent or delay the conference. In fact her attitude had been resorted to in a very real and sincere desire to promote the success of the conference. He himself had asked for an adjournment because the French Government, and he had reason to believe that other Governments took the same view, were not in a position to meet at Genoa in a fully effective way on the 8th March.

There were several political questions which troubled French opinion, and these related more particularly to three points: First, that at Genoa there should be no encroachment on the Covenant or the prerogatives of the League of Nations; secondly, that no clause of the treaties of peace signed at Paris should be put in discussion; thirdly, that the question of reparations should not be raised, because neutrals would be present who were not parties to these questions.

If Mr. Lloyd George was in accord with him on these three points, he repeated that the French Government was fully disposed to co-operate with the British and other Governments in the preparations of the conference of Genoa as rapidly as possible. While the economic and financial questions could best be left to the discussions of experts, he felt that this afternoon

<sup>1</sup> See Nos. 1, 10, and 11.



should be used for the purpose of closing up the Entente, and clearing up any outstanding political questions which ought to be settled. If Mr. Lloyd George was in agreement on these questions of general principle, they might enter on a discussion of the main points.

*Mr. Lloyd George's Preliminary Observations. Anglo-French Relations.*

3. MR. LLOYD GEORGE said he also had one or two preliminary observations to make. He was becoming anxious as to the position and relations of the two countries. He felt that it was best to speak perfectly frankly at this private conference, at which the press was not present. Speaking in this spirit he had no doubt at all that the relations of France and Great Britain had recently been aggravated. British public opinion moved much more slowly than French, but was far harder to move back once it had changed its attitude. During the last few weeks British public opinion had become definitely alarmed at the trend of French public opinion. He was glad there was no desire on the part of France to prevent or retard the Genoa conference. This, however, was not the impression in England. There it was felt that France did wish to retard and prevent the Genoa conference. That was a very serious matter, and the impression had been growing up very strongly during the last few weeks. In France the population consisted mainly of peasants, but in Great Britain the population was mainly industrial. In the famous phrase of M. Poincaré's great predecessor, the Emperor Napoleon, 'we were a nation of shopkeepers [*sic*],' we depended on buying and selling to the world more than any other country, except, perhaps, Belgium. Lately things had gone badly, and there were nearly 2,000,000 unemployed. Our industrial population believed this to be due to the disturbing factors in the world. British opinion had made up its mind to have peace; they were convinced that two things were standing in the way of this. The first of these, he regretted to have to say, was the Treaty of Versailles. The second was that Russia, with its vast resources, had been excluded from the comity of nations. British opinion believed that these disturbed the peace of the world and made trade impossible. Moreover, they were inclined to think that France was partly responsible. In France there seemed a tendency to blame him (Mr. Lloyd George) for British opinion, but to show how wrong this was he would give an illustration. Lately there had been three by-elections in England,<sup>2</sup> and one of the issues at these elections had been the Treaty of Versailles. The Government candidates had been in favour of the pact, and the opposite candidates had been against. In each case the opponents of the Government had won. Before these three elections there had been in Parliament three supporters of the pact, now there were three men who would vote against it. Before the elections there had been three men in favour of enforcing reparations and acting with France in order to secure

<sup>2</sup> At Clayton (Manchester) on February 18, where the Labour candidate Mr. J. E. Sutton was returned, at North Camberwell on February 20, where the Labour candidate Mr. C. G. Ammon was returned, and at Bodmin on February 24, where the Independent Liberal, Mr. Isaac Foot, was returned.

the execution of the treaties, now there were three men who would vote against it. British public opinion believed that France had imperialistic and chauvinistic tendencies. The feeling was that France was standing in the way of the peace of Europe. This was producing a breach between the two countries which had widened considerably during the last few weeks. If a general election were to take place it was possible that a Parliament might be returned which was opposed to the pact with France and to the Treaty of Versailles, and which would make a move towards Russia and Germany. This situation must be put right. The recent interchanges of notes and their publication in the press conveyed the impression that France wished to put down Germany, and not to bring Russia into the Genoa conference, but to keep her out. It would be a fatal thing if Great Britain were driven by the necessities of commerce to say to France, 'If you won't come with us in the pacification of Europe, please go your own way, and we will make our own arrangements for the rehabilitation of trade and industry'. This was a fatal option to put before the British people. The British would much prefer to work cordially with France as they had done in the war. They preferred the French type of democracy. It would be a tragedy if Great Britain were driven to come to arrangements with Russia, Germany and Italy whilst France went her own way. He hoped M. Poincaré would not mind this freedom of speech. That was why he had asked for this private conference. The two democracies were gradually drifting apart. He would like to put this point as an example of what was happening. He had carried the original guarantee to France in the House of Commons without a division,<sup>3</sup> now if he were to introduce the pact, the Labour Party, which was winning by-elections in the country, would vote against it. Mr. Asquith's party would do the same—this was the independent Liberal Party. Lord Grey had recently made a speech favourable to France,<sup>4</sup> but the whole of the Liberal press had repudiated it. M. Poincaré represented France and he represented England. He understood that M. Poincaré wished to work with England, and he certainly wished to work with France. At present we were on the eve of one of the worst breaches between the two democracies since Fashoda,<sup>5</sup> and that was why it was necessary to have this confidential conversation. He apologised for the length of these introductory remarks, but he had wished to put the matter most carefully and most seriously before M. Poincaré.

M. POINCARÉ thanked Mr. Lloyd George for his frankness and said he would reply with equal frankness, and as shortly as possible, since if they were to cover all the ground at this conversation it would be necessary for him to be brief. If British public opinion was as Mr. Lloyd George said—and he could not doubt this, since Mr. Lloyd George had said it—this seemed incomprehensible to France. This was, above all, the case in regard to the alleged misunderstandings. The French Government was fully conscious of

<sup>3</sup> See 118 *H.C. Deb.* 5 s, cols. 1116–28.

<sup>4</sup> The reference is presumably to Lord Grey's speech at Bristol on January 10 (see *The Times*, January 11, p. 15).

<sup>5</sup> See No. 29, n. 20.

having said nothing and done nothing within the last few weeks to produce such an effect, and this applied to the previous Government<sup>6</sup> as well as to his own. The Government had done nothing to justify such calumnies. Why was it said that France alone did not desire peace? Why was it said she had a hostile attitude to Germany? Why was it said that she was imperialistic or chauvinistic? What were the facts? France had not had, and had not now, any desire except to respect the Treaty of Versailles. If it were true that in Great Britain there were a certain number of adversaries of the present Government who thought or said that the Treaty of Versailles were an obstacle to peace, this was a matter which France, in truth and verity, could not understand. French public opinion said only one thing, namely, that the Treaty of Versailles had been signed by France and Great Britain, who had fought together. In France if a treaty had been signed it became a sacred thing. If in England they felt differently under this head there would be a cruel misunderstanding, for which France was not responsible.

MR. LLOYD GEORGE said that the important thing was to come to an understanding. He had no doubt whatsoever of the existence of the feeling he had mentioned. He wished to reassure public opinion on the matter. If he and M. Poincaré could come to an understanding, it would have a great psychological effect in Europe. If they failed, the effect would be correspondingly disastrous. Therefore, he himself would do his best to reach an agreement. In fact, he had come to Boulogne with this object in view. He was now in M. Poincaré's hands for anything he wished to raise, but he thought it important to make these preliminary remarks.

M. POINCARÉ thanked Mr. Lloyd George again for his frankness and said that, for his part, he need hardly say he had come to Boulogne in order to reach an agreement. He fully realised the importance of this to both countries. At the outset he would ask if Mr. Lloyd George was in agreement as regards the three points he himself had raised in his preliminary remarks? After that they might proceed rapidly to take the other points.

#### *League of Nations.*

4. MR. LLOYD GEORGE said that as regards the League of Nations, he was, of course, in favour of using it as much as possible. The only reasons that the League of Nations could not be used more were that Germany was not a member and that Russia was hostile to the League. It had also been felt that if the League machinery were employed, the United States of America might find there an excuse for not participating at Genoa.

#### *Reparations.*

5. He wished, however, to say a word about reparations. He agreed with M. Poincaré that the fundamentals of reparations could not be discussed at a conference where Sweden, Holland and other neutrals, who had no part in reparations, were present. He had, however, received on the previous

<sup>6</sup> See No. 23, n. 3.

day a message from Italy<sup>7</sup> to the effect that the Italians did not see how it was possible to exclude all reference to reparations from the Genoa conference. He felt that he and M. Poincaré should be clear among themselves as to what was meant by the exclusion of reparations. If it meant that the amount of reparations could not be discussed, he fully agreed, owing to the presence of neutrals. If, however, the economic situation of Europe was to be discussed, it would be difficult to avoid any allusion to the question of reparations. For example, supposing the subject of discussion was the state of the exchanges. Speakers ought not to be ruled out from referring to the effect of reparations thereon. In this respect the question of reparations resembled the question of inter-Allied debts. He presumed there was no intention to discuss inter-Allied debts at Genoa, but it was impossible to discuss the economic situation of Europe without even referring to the question of debts. In exactly the same way exchanges could not be discussed without allusion to reparations. Someone might well say that until the nations had reached agreement on the subject of reparations, the exchanges would remain in such and such a state. If however the Germans were to get up and say that they desired an abatement of reparations, he would at once reply, 'No, that is a matter between the Allies and Germany'. He was bound to mention this aspect of the matter owing to the message he had received from Italy.

M. POINCARÉ said that he would want to know the exact words of the message Mr. Lloyd George had received from Italy and the exact sentiments of the Italian Government before he could discuss it in detail; but evidently this matter touched the most crucial question, and was one to which French opinion was peculiarly susceptible. If the French Chamber did not have absolute guarantees that questions of reparations would not be raised, the French Government could not go to Genoa. M. Briand had told the Chamber this, and he himself had told them the same. There was absolute unanimity in the French Chamber on the subject. It was necessary, therefore, to find some means of avoiding at the Genoa conference the question of reparations being touched on, directly or indirectly. He could see only one secure and effective method of doing this, namely, that the amount of reparations fixed by the Reparations Commission should not be touched on at Genoa and that, similarly, the Genoa conference should not encroach on the powers either of the Allied Governments or of the Reparations Commission. At the same time, he saw clearly that in the question of exchanges or the economic condition, or trade relations between European countries, a speaker could not be prevented from saying, 'With this burden of reparations, this is what we can or cannot do'. He agreed in this. He could not agree, however, that other reference could be made to this subject at Genoa than to say that it had been settled outside the Genoa conference. It could be taken as a point of departure for the discussion, but not as a point of arrival.

<sup>7</sup> This presumably was a verbal message: there is no record of it in the Foreign Office archives.

MR. LLOYD GEORGE said he agreed with M. Poincaré and would put it in the following manner:—

‘The question of reparations must not be settled by the Genoa Conference, but through the machinery set up by the Treaty of Versailles.’

M. POINCARÉ said that he would like to see the formula in writing, but it practically answered what he desired. The French Government had said that the question of reparations should not be treated at Genoa; it has been settled by the Treaty of Versailles; it would be settled as this treaty has decided.

*The Date of the Genoa Conference.*

6. M. Poincaré remarked that he had said nothing as yet as regards the League of Nations because he wished to take each question in turn. Presently it would be necessary to discuss the agenda of the Genoa conference, but first he thought it would be useful to discuss the date. He wished to reiterate and emphasise that France did not wish the Genoa conference to fail. On the contrary they [*sic*] were very anxious that it should succeed, and for this reason they wished to make very serious preparation for it. It was quite probable that the British Government had been making preparations for some time, because it was they who had initiated the idea of the conference. It was very natural, therefore, that they should have matured their preparations. The French Government, however, had only been invited to the conference of Genoa at Cannes. Since then a new Ministry had been formed<sup>8</sup> and it had been materially impossible until the last few days to make serious preparations. The French experts, who were the best who could be chosen, had now met. He would have liked the meeting to take place in March, but, in fact, he was advised that this was materially impossible. It would not be feasible to begin the work of the experts at London before the 6th March. There was one commission in France working on Russian debts which would meet on Monday next. There was an inter-ministerial commission on Russian affairs which would meet on Tuesday afternoon, and there were sub-committees on finance, transport and agriculture, one or other of which was to meet every day during the following week. The full ministerial committee would not be able to meet before Thursday, the 2nd March, and after that the competent Ministers would have to examine its report. Finally, the Cabinet, under his presidency, would have to take the matter up in order that the work might be centralised and unified. They would be working all the available hours of next week, and they would require the whole week. Hence, it would be difficult to send experts to London for eight or ten days. He would, however, give the assurance that they would leave as soon as possible. Then they would have to enter on their work at London with the other experts, and he was advised that this work would require some time. Hence, if the British Government really desired a postponement of only three weeks, the result would be that nothing would be properly ready. In France, it was impossible that they should be ready

<sup>8</sup> See No. 23, n. 3.

by then, and according to information from other quarters, it was the same in other countries. The Swiss Government was asking for three months' delay; the Little Entente desired a considerable delay; Italy, owing to the ministerial crisis, had been obliged to ask for a postponement.<sup>9</sup> Would it not be better, he asked, to fix the date later, so that the experts' studies might be conscientiously completed and the work of the conference clarified and simplified?

MR. LLOYD GEORGE said that Great Britain had 2 millions of people out of work, and yet France appeared in no hurry. Our people, however, were in a hurry. It was clear that the French Government had only just began their work, although the Cannes decisions had been taken on the 11th January.<sup>10</sup> Whether she proposed it herself, or whether other Powers proposed it, the British Government, when a conference was once agreed to, took the matter seriously and set to work at once. The result was that we were now practically ready. The British Government had put forward the Genoa conference as a result of their knowledge of the general economic situation, but it had been preceded by the Brussels conference,<sup>11</sup> to which all countries had sent experts. The British committees had been meeting for some time and had been nearly ready a fortnight or three weeks ago. France, apparently, was only beginning her preparations next week. It was hardly fair of France to an Ally who had been hard hit by the economic situation, that she took no account of her Ally's difficulties. Great Britain might have said the same in the war. They might have said that their experts wished to meet and that they required committees. He asked France to show the same readiness now as Great Britain had shown in the war. It seemed very odd that all the appeals had been addressed to France and not to Italy, who was the convenor of the conference. Italy had not yet asked for any postponement.<sup>12</sup> Did Switzerland want delay? She had a representative in London, but apparently she had made no such appeal. Neither, as far as he knew, had she appealed to Italy for a delay. Now he was told that the Little Entente wanted a delay. Dr. Benes had never uttered a syllable to this effect.<sup>13</sup> He had been quite willing that the conference should take place at the end of March, when Mr. Lloyd George had proposed it. Why did he say one thing to Mr. Lloyd George and another to M. Poincaré? There surely must be some misunderstanding about this. How was it possible to wait for three months? The trade of Europe was stagnant. The finance was available. Great Britain had it ready and other countries, too. Would the whole thing be frozen up until the French Government were ready to thaw? The experts might have been applying their minds to this question and have reached a conclusion long ago. He hoped that M. Poincaré would not put the

<sup>9</sup> In his telegram No. 100 of February 24, Sir R. Graham stated: 'Official Stefani communiqué announces that owing to prolongation of ministerial crisis it is necessary to postpone Genoa conference for a short time, and that Governments invited to participate have been so informed. The Italian Government are consulting Allied Governments with a view to agreeing on another date. Preparations for conference are being continued without interruption.'

<sup>10</sup> See No. 21.

<sup>11</sup> See No. 2, n. 3.

<sup>12</sup> Cf. n. 9.

<sup>13</sup> Cf. Nos. 29 and 31.

British Government in the fix of having to choose whether they would go to Genoa at the time arranged by the Italian Government, or whether each should make its own arrangements.

M. POINCARÉ said that if Mr. Lloyd George asked him to realise the difficult situation of Great Britain and to help her, the question assumed a different aspect from what he had hitherto envisaged. In order to get rid of the unemployment of 2 million people in England, France was ready to place herself beside England and do everything possible. Mr. Lloyd George had recalled the sacrifices of Great Britain for the common cause in 1914 and the following years. France had not forgotten this. He had, however, a recollection that in the early part of the war, British assistance had not moved so rapidly as British and French friendship had desired. On the 2nd November, 1914, he remembered going to Dunkirk to meet Lord Kitchener, where he had supplicated him to expedite the despatch of troops. Great Britain and the Dominions had the will to fight with France, but they were not ready. Lord Kitchener had said that the troops would not be ready before July 1915. Marshal Joffre, who had accompanied him, remarked that perhaps the war would be over by July 1915. Lord Kitchener, perhaps with greater foresight, had said that the war would only then be at its beginning. Hence France had had to support the brunt of the fighting during the first year, but France did not wish Great Britain to have to face her economic difficulties alone and wished to be at her side to help her. If he thought that unemployment would disappear from Great Britain as the result of the conference, he would be willing to go alone without experts to Genoa. But the economic situation of Europe would not be settled by conversations. The questions to be solved were very complex and difficult and could only be resolved by means of scientific arrangements carefully worked out. Hence, just as Great Britain in 1914 had been given time to equip her troops, he would ask that France now should be given time, so to speak, to equip her economic troops. He did not maintain his full demand for three months' delay, but he thought it right to prepare for the conference with full completeness. Dr. Benes had spoken of a postponement of three weeks and had said that this was the British proposal. In fact, he had brought a note<sup>14</sup> proposing an adjournment for three weeks, the substance of which he said had been approved by Mr. Lloyd George. Might he be permitted to say that if three months was rather a long postponement, three weeks was rather short? Besides this, there was an unfortunate effect in the juxtaposition of three weeks and three months, which had enabled a certain British journal to say: 'If France wants three months, let us give her three weeks.' Putting aside what the newspapers might say and looking only to realities, whatever effort France might make in three weeks, they would, nevertheless, at the end be badly prepared. If Mr. Lloyd George would agree to a date in April, he would do a service to the French Government and to France, so that France would be in a better position to do him a service at Genoa.

<sup>14</sup> See No. 31, Appendix.

MR. LLOYD GEORGE said that he must make one remark on what M. Poincaré had said as to what happened in 1914. He recalled that there had been a military understanding that we should send an expeditionary force to France. As a matter of fact it had been there within about a fortnight. That was all Great Britain had undertaken to send. Lord Kitchener had spoken of a further force, which had never been promised. No one in England had ever promised to raise a great army to help France. She had only undertaken to assist France with her fleet and with such army as she had in 1914. The whole of this force had been in France within a fortnight—every man. Moreover, but for the fleet, which everyone seemed to forget, the French coast would have been bombarded and France would have been cut off from the world. He also doubted whether the French troops could have crossed the Mediterranean from Algeria and Tunis. Thus, everything which she had promised to do, Great Britain had done promptly, and what Lord Kitchener referred to was the raising of a new great army which no one had ever undertaken to supply to France. He only made that remark in parenthesis in order to remove a misunderstanding.

M. POINCARÉ said he had every desire to eliminate from the discussion these recollections of 1914, and he agreed that the action of Great Britain had been in every way creditable. He wished to say that he was in full agreement that Great Britain had carried out its task at once. The only point he would reserve related to the Mediterranean. The agreement of 1912 had provided for a French fleet being allotted for the protection of the troops across from Algeria and Tunis to France. Mr. Lloyd George was right in his point, however, that at Dunkirk, Lord Kitchener had not been speaking of the original British army, but of his new army. In 1912 Great Britain had undertaken no engagement in regard to this army, and the fact that she had raised it had been very creditable to her. In the same way, however, France had not undertaken to resolve the unemployment problems of Great Britain. She was, however, determined to do all she could, but she also, so to speak, had to raise her new army as rapidly as possible. Just as Lord Kitchener had raised his new army—and it had been a very prolonged performance—so also France wanted time to enable her to do her part.

MR. LLOYD GEORGE said there were two considerations he wished to mention. First there was the possibility of France making her own arrangements or not, according as she wished, with Germany and Russia, and of England doing the same. There was a good deal to be said for this. The two nations would not get in each other's way. If this policy were adopted, Great Britain only asked that France should not block the way. If France was not ready, whether politically or from the point of view of the experts, there was a good deal to be said for putting off the conference and each country making its own arrangements. However, he did not want to do this. It would involve the danger of a new grouping of States on economic and financial questions. This might lead to a new grouping on political questions and political questions would lead to a new grouping on diplomatic questions, and so to other things. Consequently, Great Britain did not want to do



this, and would much rather that the Allies continued to work together. On the economic and financial side, however, Great Britain desired nothing from France. She could make her own arrangements with Italy and with Germany and with Russia. Great Britain, Italy and Germany could do all that was required to work up the great resources of Russia in oil, coal, timber, hides, &c. This was quite feasible, and the assistance of France was not in the least indispensable. The only objection to such a policy was that it would lead to a new grouping of Powers. If M. Poincaré said he could not come into such an arrangement, Great Britain would not ask it of France. Perhaps M. Poincaré had his political difficulties which necessitated delay. From the British point of view, however, we could not afford a delay. Our working classes would not tolerate it. They insisted that the Government must go ahead—with France, if she would come in, but without France if she would not. Hence he asked M. Poincaré if he preferred that Great Britain should make her own arrangements with Italy and Germany commercially, and he could then consider in his own time whether France wished to come in.

M. POINCARÉ said that he did not very clearly understand Mr. Lloyd George's question, though it appeared to throw some light on an answer Mr. Lloyd George had lately given to a question in the House of Commons. When asked if he had had any information as to negotiations between France and Soviet Russia, Mr. Lloyd George had replied that he had no such information.<sup>15</sup> But he himself had taken care some days ago to have Mr. Lloyd George informed that, for a month past, the Government of the Republic had been sounded, from various very serious quarters, by representatives of the Soviet who wished to engage in conversations in regard to Genoa, and he was sorry to say that the proposals of the Soviet had been very clearly against Great Britain.<sup>16</sup> If he had adopted a selfish and nationalistic impulse to trade, he might have listened to what they had to say. As a matter of fact, however, he had refused absolutely to listen to them, and had told the representative of the Soviet that, so far as he was concerned, he intended to work with the Allies and especially with Great Britain. France had even less desire than England to pursue an independent policy. She did not wish to take up, in isolation, commercial relations with Soviet Russia. He had a very real desire to remain in accord with Great Britain. If he had spoken of helping Mr. Lloyd George in ending unemployment in Great Britain, it was because Mr. Lloyd George had mentioned the subject first. Otherwise, he would not have ventured to allude to it. As to the political considerations bearing on the adjournment of the Genoa Conference there were none. The French Chambers would certainly support the Government of the Republic in any decision which it might take, whether in the interests of France or of the Alliance. The French Government wished to go to Genoa, but only in the most useful possible way. That was why they asked for some delay. His suggestion had been extremely clear and precise. Mr. Lloyd George had spoken to Dr. Benes of three weeks' delay, so he had asked

<sup>15</sup> See 150 *H.C. Deb.* 5 s, col. 2089.

<sup>16</sup> See No. 29, n. 3.

Mr. Lloyd George for a slightly longer delay, and that a date in April might be chosen. He would put that request to him again.

MR. LLOYD GEORGE said that the conference must take place before Easter, because after that the British Parliament would be considering the Budget and he himself and the Chancellor of the Exchequer<sup>17</sup> would then be unable to be present at Genoa. It was just as necessary for the Chancellor of the Exchequer to be there as for the French Minister of Finance.<sup>18</sup> If, however, some date between the 28th March and Easter would suit M. Poincaré, he would do his best to meet him. His idea was that M. Poincaré and he should be at Genoa for about a fortnight for the discussion of political questions. The remaining questions might be left to experts. If M. Poincaré and he were there during the first week in April, they might settle principles. At the end of a fortnight they could leave the questions to experts, and they might return, if necessary, later on. The Chancellor of the Exchequer, however, could not be in Genoa after Easter. The British had a queer Constitution, and it was essential for them to secure the acceptance by the House of Commons of the resolutions in regard to taxes before the 4th May, otherwise the whole system of taxes would lapse.

M. POINCARÉ asked Mr. Lloyd George to excuse him if he had to refer to political considerations of interest to France. They were talking freely as between friends, and he felt he must mention them. He did not know if he could go personally to Genoa during the first week in April, because at that time the French President would be starting for a tour in Algeria, which would take more than a month, and it was very difficult for him to be away at the same time as the President. If he could not go himself to Genoa, he hoped that Mr. Lloyd George would accept his apologies in advance. M. Millerand was due to leave Paris on the 4th April. He would be at sea on the 5th and 6th April. During that period he would not be within reach for easy telegraphic communication, and he (M. Poincaré) felt it was essential that at the opening of the conference he should be able to communicate freely with the President. Consequently, he would be glad if Mr. Lloyd George could put off the conference until the 10th April.

MR. LLOYD GEORGE asked if M. Poincaré could himself be present on the 10th April.

M. POINCARÉ said he could not undertake to be there personally, but France would be there.

MR. LLOYD GEORGE said there would be a great difference if France was represented by her Prime Minister or only, so to speak, *ad referendum*. In this respect he quoted the following passage from the resolution<sup>19</sup> reached by the Supreme Council at Cannes on the 6th January, 1922:

'They regard such a conference as an urgent and essential step towards the economic reconstruction of Central and Eastern Europe, and they are strongly of opinion that the Prime Ministers of every nation should, if possible, attend in person in order that action may be taken as promptly as possible upon its recommendations.'

<sup>17</sup> Sir R. Horne.

<sup>18</sup> Monsieur Lasteyrie.

<sup>19</sup> See No. 6, Appendix.

M. POINCARÉ said that this was one of the reasons which had caused M. Briand's fall.<sup>20</sup> The French Parliament did not want resolutions to be finally taken without reference to the Chamber.

MR. LLOYD GEORGE said it was the same thing in Great Britain. He himself would only sign subject to approval by the House of Commons. This, in practice, was the procedure in regard to every treaty; for example, the pact,<sup>21</sup> which he would certainly have to submit to Parliament.

M. POINCARÉ said that he could promise nothing as regards his own presence. All he could say was that he could not come to Genoa at the time when M. Millerand was leaving Paris, and he did not like the conference to start at the beginning of April when M. Millerand would be on the sea. He would prefer that he should be within easy telegraphic communication on land. The most optimistic view he could express would be that he might be able to go to Genoa for two or three days. The simultaneous absence of the President of the Republic and the President of the Council was not impossible. But it would only be possible if the Chamber was not sitting. It was possible that in the week preceeding Easter, that is to say, the week beginning the 10th April, the Chamber might be willing not to meet in order to give him more freedom to attend the Genoa conference.

MR. LLOYD GEORGE said he would like to leave the question of the date for the moment and to see whether it was possible to reach agreement on other points first.

M. POINCARÉ agreed to this.

### *League of Nations*

7. M. POINCARÉ raised the question of the relation of the Genoa conference to the League of Nations. He recalled that the Genoa conference had been to a great extent prepared for in financial matters by the Brussels conference,<sup>22</sup> in the matter of transit and communications by the Barcelona conference<sup>23</sup> and in many other questions at Geneva. Thus in one form or another the League of Nations had studied most of the economic questions to be submitted to the Genoa conference. He thought it should be possible to utilise this work. He wanted an agreement with Mr. Lloyd George on two essential points which he considered vital. He agreed that the League of Nations would have to be left outside the Genoa conference. He thought, however, it would be useful to allow representatives of the League of Nations to be, as it were, on the margin of the conference in order that they could be brought in, and bring their documents with them, if required. That was the first question. The second was, that the Genoa conference should not become a permanent institution. He did not want it adjourned for six months and to become a kind of permanent institution existing alongside the League of Nations, and infringing the prerogatives of the League.<sup>24</sup> He thought there

<sup>20</sup> See No. 23, n. 3.

<sup>21</sup> See Nos. 1, 10, and 11.

<sup>22</sup> See No. 2, n. 3.

<sup>23</sup> Held from March 10 to April 21, 1921. See No. 49, Appendix II, below. For the Convention of Barcelona of April 20, 1921, see *B.F.S.P.*, vol. 116, pp. 517-32.

<sup>24</sup> In his telegram No. 91 of February 20, Lord Hardinge, reporting on the leading article

ought to be an agreement as to this in advance, and that it should be understood that the Genoa conference should exhaust the whole of its subjects in a single session. On concluding its work the conference should dissolve and hand over the propositions it had agreed to to the League of Nations' organisation for execution.

MR. LLOYD GEORGE said he was in full agreement that the Genoa conference should not be permanent, and that the League of Nations should be used as much as possible. He must make one remark: Germany and Russia were not members of the League. If they agreed that the conclusions of the Genoa conference should be handed over to the League, then he would have no objection; but, if either of them were to say, 'I am not a member of the League and it is not fair to refer questions to a body from which I am excluded,' then the Powers ought to agree to provisional arrangements until such time as the dissenting State was included in the League. Otherwise he agreed with M. Poincaré's general propositions.

M. POINCARÉ said that as a matter of fact the League of Nations had already dealt with questions concerning countries which do not form part of the League; Germany had already come to the commissions and would probably be happy to come again. Besides, there would be no reason to exclude Germany and Russia from the League of Nations when the situation of fact [*sic*] in which Russia was had been modified and when Germany had clearly manifested her intention to apply the Treaty of Versailles. If Germany persisted in her attitude in regard to reparations and disarmament, it would be as difficult for her to take part in the Genoa conference as to appear in a commission of the League of Nations. If she would loyally carry out the treaty, there would be no more reason to keep her excluded from the League of Nations, and he would be the first to ask in agreement with England that she should form part of it.

MR. LLOYD GEORGE said that Russia might have objections to entrusting the conclusions of the Genoa conference to the League which the Russians believed was run by the Poles. She might say that she was willing to deal with the Powers, but not with the League. Would M. Poincaré then insist that Russia must work through the League and not permit emergency arrangements to be made? He favoured making every possible use of the League, but he wished to look ahead and face possible eventualities.

M. POINCARÉ said that in any case he would like to ask that the League of Nations should be charged with the application of the decisions taken, and that in the event of Russia refusing the co-operation of the League of Nations, after having been enabled to make appeal to it, a new meeting of interested Powers should be contemplated, but then only after the League of Nations had been enabled to be employed.

MR. LLOYD GEORGE said it ought not to be necessary to have a new in the *Temps* of that day, stated: 'It begins by referring to the Genoa conference. . . . It then criticizes Mr. Lloyd George's proposal, as reported in the "Daily Telegraph", to hold a similar conference every six months. "The reconstruction of Europe is not an enterprise which can be undertaken like a game of golf, from hole to hole".'

meeting, as this would involve further delay. He asked M. Poincaré to consider a particular question which would arise at Genoa, the economic reconstruction of Russia. Suppose Russia were to say that she would not allow that to be dealt with by the League of Nations on which Poland was represented. Suppose she were to say that she was perfectly willing to leave it to France, Great Britain and Italy, but not to a body on which Poland, Spain and Brazil were represented. France and Great Britain would have to supply the finance; why, then, should the question be left to the League of Nations? It was not the business of the League to buy and sell goods.

M. POINCARÉ said that such a situation would not necessitate recourse to an international conference; a committee would then be formed composed of representatives of interested Powers; this would no more be the League of Nations than the Genoa conference, where Poland and Spain would themselves be present.

MR. LLOYD GEORGE said it was rather a question of the committee that would have to execute the conclusions of Genoa. It would be no use having countries like Spain or Brazil on such a committee which should only include the people who could help Russia. The United States of America might come in on such a committee, but they certainly would not come in to the League of Nations. All he asked was that there should be no rigid resolution on the subject. There were some things which the League of Nations could not undertake, and one of these was the financial and economic reconstruction of Russia.

M. POINCARÉ said that he quite well understood that the execution of part of the conclusions of the Genoa conference might have to be entrusted to a committee on which the nations concerned were represented. He asked, however, that it might be understood that the Genoa conference should not survive as a separate competitor and rival to the League of Nations. The feeling was strong on this point in France, and, he thought, in England too. If a committee was formed in which the United States and not Spain, took part, this committee would be different from the Genoa conference. It would be matter then of sending the question to the interested Powers and not to the Genoa conference. He could see no inconvenience in that.

MR. LLOYD GEORGE agreed in this.

#### *The Treaties of Versailles, Saint-Germain, Neuilly and Trianon*

8. M. POINCARÉ raised the question of the respect for existing treaties. He hoped it was agreed that this should not be put in question. This was to the common interest of Great Britain and France, and he thought it would be useful to have a definite understanding on the question. To speak of the respect for all the treaties of peace was a formula which for Great Britain and France was very clear, but there were other treaties which other nations would wish either to consecrate or to have revised by the Genoa conference. For example, the Treaty of Bucharest<sup>25</sup> and Brest-Litovsk<sup>26</sup>

<sup>25</sup> Of May 7, 1918; see *B.F.S.P.*, vol. 123, pp. 727-40.

<sup>26</sup> Of March 3, 1918; see *Cmd.* 9105, Misc. No. 18 (1918); *B.F.S.P.*, vol. 123, pp. 740-4.

ought not to be revised, since they had been cancelled by the Peace Conference. Then there was the question of all the treaties which had been concluded since the war between Soviet Russia, and, for example, Poland, the Bal[tic] States and Central European countries.<sup>27</sup> He asked if these were to be mentioned. He thought they should not. If the question at issue were to be so broadened out neither Great Britain nor France would obtain any advantage. It was necessary, therefore, that there should be some agreement in advance on what lines the two countries were to follow, and for reciprocal and common action. For the moment he thought it would be prudent to reach an agreement that in the view of the two countries there should be no discussion in regard to the stipulations of the Treaties of Versailles, Saint-Germain, Neuilly and Trianon, the Treaty of Sèvres being left out, since it had not been ratified. To act otherwise would be dangerous.

MR. LLOYD GEORGE said he knew of nothing to be raised in regard to these treaties.

M. POINCARÉ thought it would even be dangerous.

MR. LLOYD GEORGE said that the British Government had no desire to raise any question in connection with these treaties.

M. POINCARÉ said that the interest of the two countries was identical in regard to this.

#### *Russian Demands for Compensation*

9. M. POINCARÉ said that before coming to the question of reparations there remained one point to discuss. The Soviets had pretended, and might insist at Genoa, that they should be given compensation and reparation for the alleged damage done by Czechoslovak troops in Russia<sup>28</sup> by Kolchak, Denikin, and later by Wrangel.<sup>29</sup> He wanted to urge in advance that a refusal should be given to these exorbitant demands. He recalled that Russia had broken the treaty of September 1914,<sup>30</sup> by which all the Allies agreed that none of them would make a separate peace. By signing the Treaty of Brest-Litovsk Russia had broken all her engagements, and had inflicted irreparable damage on the Allies, who had had to carry on the war alone without her, and had sustained immense losses after Russia had abandoned them. All these losses were attributable to the Russian action,

<sup>27</sup> The preliminary peace treaty between Russia and Poland was signed at Riga on October 12, 1920. For the sources of this treaty and of the agreements signed by Soviet Russia with Estonia, Lithuania, Latvia, Finland, Austria and Hungary, see R. M. Slusser and J. F. Triska, *A Calendar of Soviet Treaties 1917-1957* (Stanford, 1959).

<sup>28</sup> See No. 31, n. 8.

<sup>29</sup> Admiral Kolchak, who was killed in February 1920, had received a British subsidy in support of his campaign against the Bolshevik forces (see Vol. III, No. 613). General Denikin (see No. 1, n. 8) had led anti-Bolshevik forces in the Ukraine. He was succeeded by General Wrangel (see No. 1, n. 9), who in November 1920 had been driven into the Crimea.

<sup>30</sup> For the text of this treaty, the Pact of London of September 5, 1914, see *B.F.S.P.*, vol. 108, pp. 365-6.

and they far exceeded all the claims of the Soviet. If they could agree on this they would avoid this turning movement on the part of the Soviet.

Referring to the Cannes resolution of the 6th January, M. Poincaré said that France could not deal with this unless Russia accepted it. If Russia accepted this in advance, as proposed at Cannes, the Allies would avoid the outflanking movement that Russia was attempting.

MR. LLOYD GEORGE said that Great Britain was, if anything, more involved than France in this matter. She had assisted Kolchak, Denikin and the forces at Archangel. If damages were claimed, they would be claimed against Great Britain. Certainly, Great Britain would not recognise any such claim. The suggestion of the British expert committee<sup>31</sup> had been that Russia should be induced to recognise certain round figures as her debt. For example, supposing Russia owed us originally £600,000,000, to this would have to be added the interest of six years, which would amount to another £150,000,000. The idea was to say to Russia: 'Pay us £400,000,000 and then we shall be quits.' As a matter of fact, she could never pay even this sum. He hoped that some day all these debts would be wiped out. It was apparently only certain people in the United States of America who thought it was possible they should be paid in full. Hence he thought we should not demand payment of £600,000,000, but should be content with a more reasonable sum. But if Russia made some exorbitant claim we should certainly refuse.

Mr. Lloyd George added that when he spoke of £400,000,000 he spoke of State debts, and not of private debts.

M. POINCARÉ said that it would be impossible for France to consent that private debts should be sacrificed.

MR. LLOYD GEORGE said he fully agreed.

M. POINCARÉ said that when Mr. Lloyd George spoke of State debts it was a matter, he thought, of State debts contracted during the war, and not of loans contracted before the war by Russia; if not, France could not engage herself in this way, for the title deeds of these loans were in the hands of a number of small holders; this debt had been contracted in the name of the Alliance to help the Allies; there was there at one and the same time a question of interest and a question of sentiment. It was impossible that France should bargain. She would ask for payment of the total of these loans without possible compensation. He did not speak at the moment of inter-Allied debts which were State debts, but which were not included in paragraph (A) of the Cannes resolutions; he spoke at this moment of pre-war debts; these were the external loans of Russia, which were in the hands of poor people. It was absolutely impossible that they should not be reimbursed.

MR. LLOYD GEORGE said he had been speaking of the war debts.

M. POINCARÉ said he agreed in what Mr. Lloyd George had said in regard to war debts.

<sup>31</sup> See No. 29, n. 1.

### *Recognition of Soviet Russia*

10. M. POINCARÉ next raised the question of the recognition of Soviet Russia.

MR. LLOYD GEORGE referred to the following suggestion contained in a paper which had been sent to him by Dr. Benes:<sup>32</sup> 'In the next place, the political conditions for the *de jure* recognition of Russia would be laid down. The question of actual *de jure* recognition to remain open and to depend on the results achieved by the conference.' This had not been his original idea, but, on the whole, he rather liked it. He did not want the Allies to make up their minds in regard to the recognition of Russia until they had seen how the Russian delegates behaved at Genoa. They might find the Russians were impossible to deal with. If it was found that they insisted on impossible conditions, and that they were people with whom it was impossible to do business, then they would not be recognised. M. Krassin was the only one that he himself had met personally. This led him rather to like Dr. Benes's idea to reserve the grant of *de jure* recognition until it had been seen how the Russians behaved themselves at Genoa, and whether we were satisfied with their *bona fides*. France, Italy, Belgium and Great Britain could consider on the basis of the Russian attitude at Genoa whether they could be recognised.

M. POINCARÉ said he wished to define what Dr. Benes had said more closely. He thought, in addition, it would be necessary to take further precautions. At Cannes the French Government had reserved to itself the right not in any event to recognise the Soviets *de jure*. They had said they might if the Soviet accepted the conditions, but full liberty of action had been reserved to them by the Cannes agreement.<sup>33</sup> He did not wish, however, that the French attitude should differ from that of Great Britain. To leave the question to be settled at the end of the Genoa conference was one precaution. Was it sufficient, however? Would the Allies have sufficient knowledge by that time as to the good faith of the Russians? Perhaps it would be better to adjourn recognition until Russia had begun to execute the provisions of Genoa. For example, for six months. The Russian Soviet representatives would be very good talkers, that, however, provide[d] no guarantee. Could they give any satisfactory guarantees? Once recognition was given it was difficult to revoke it. Would it, therefore, not be wiser to agree in advance to postpone recognition until Russia had carried out her engagements in practice; until it were discovered whether the nationals of the Allies could really go to Russia and move freely there? If two or three months after the Genoa conference it was found that the Allied concessionnaires were respected, and the Russian *bona fides* were established, then they [*sic*] might be recognised, but it might be very dangerous to recognise them at Genoa.

MR. LLOYD GEORGE said he had carefully considered these points which Dr. Benes had mentioned. If the British Government could not agree to

<sup>32</sup> See No. 31, Appendix.

<sup>33</sup> See No. 6, Appendix.



them, it was only after very careful consideration and after consultation with experts. If the matter were postponed for three or six months, Genoa would have accomplished nothing. The Russians would not promise to pay their debts and grant all that was required as regards courts of justice, &c., nor give the necessary controls, without recognition. A further point was that the Allied financiers would not put up money for Russia unless the Russian Government was recognised. The British financiers would not give money at all without a guarantee. The British Government was willing to give this guarantee, but not without recognition. One reason, then, for recognition was that the one thing which would induce Russia to give the necessary guarantees was *de jure* recognition. The other reason was that the money would not be forthcoming without recognition, to be followed by the establishment of agents, consuls, diplomatic representatives, &c., in Russia.

Mr. Lloyd George then read the following telegram which he had just received from London:—

‘Conference of international business delegates to the Organising Committee of International Corporation<sup>34</sup> finished meeting this afternoon. Utmost good-will, and resulting in agreed basis for formation of national corporations in various countries affiliated to Central International Corporation in London. Result entirely satisfactory and indicative of strong desire of business men of various nationalities to work together. Hope other Governments will follow Great Britain’s lead in guaranteeing national capital, as corporations can then start operations immediately.’

He said this telegram referred to the meeting of the International Corporation in London, at which France had been represented by M. Schneider, whom he himself had met a few nights ago, and M. Sergent. He remarked that Great Britain and Italy were already guaranteeing the capital, and he hoped that France would do the same. The British Government, however, could not guarantee the capital without *de jure* recognition. What he asked now was not for a decision to grant *de jure* recognition, but that he and M.

<sup>34</sup> This conference had been convened in London in execution of the resolutions of January 6 and January 13 of the Cannes Conference (see Nos. 6 and 25). Invitations to the French, Italian, and Belgian Governments had been sent by the Foreign Office on January 17 in telegram No. 18 to Paris, No. 15 to Rome, and No. 3 to Brussels, and to the Japanese Government in a letter of January 18 to the Japanese Ambassador. In a further telegram, dated January 18 (No. 21 to Paris, No. 18 to Rome, No. 4 to Brussels), the British Representatives were instructed as follows: ‘Please explain that the British delegates will be businessmen unconnected with the Government, and it is hoped that other countries will similarly choose representatives from industrial and financiers, rather than Government officials.’ The representatives were:

Belgium: M. Cattier, of the Overseas Bank; M. Eloy, of the Crédit Anversois.

Japan: M. T. Okubo, of the London branch of the Yokohama Specie Bank Ltd.

Italy: Senator Conti, of Banca Commerciale; Signor Jung, of a Palermo Bank.

Great Britain: Lord Inverforth, of Eagle Star and British Dominions Insurance Co.; Sir J. Ferguson, of Lloyds Bank.

France: M. Schneider, of the Creusot Company; M. Sergent, of Banque de l’union parisienne.

Poincaré should not make up their minds that recognition would not be granted.

M. POINCARÉ said he would not say that he had made up his mind, but he must reserve his freedom of action.

#### *Proposed French Guarantee to the Financial Corporation*

11. As regards the Financial Corporation and the guarantee, this was a very exceptional proposal. He was very doubtful if the French Government could obtain such a guarantee from the Chamber. M. Schneider and M. Sergent had no doubt realised spontaneously that such guarantees were not usually granted by the French Government, and he himself recognised that it would be very difficult for them to give the guarantee. He had discussed the matter with the French Minister of Finance and had raised it in the Cabinet, and he felt that the difficulties were almost insurmountable. It would be very difficult to induce the Chamber to vote a State guarantee to an association which was in reality a private one. For the moment, therefore, he must make every reserve and keep his liberty of action.

#### *Recognition of Russia*

12. MR. LLOYD GEORGE said he hoped that this did not mean that Dr. Benes's suggestion was rejected, that the Allies should retain an entirely free hand and judge after Genoa whether they could recognise the Russian Government or not.

M. POINCARÉ replied 'Parfaitement'.

#### *Disarmament*

13. M. POINCARÉ said that there were two further questions of great interest to France which he would like to raise, although he did not think there would be any disagreement in regard to them. The first of these was the question of disarmament. He supposed it would be understood that this question would not be raised at Genoa or until Germany had given satisfaction in regard to disarmament and reparations.

MR. LLOYD GEORGE said he understood the whole question was before the League of Nations at the moment.

M. POINCARÉ said it was true that the League of Nations had the question under consideration, but France had taken the necessary guarantees that there should be no infringement on her sovereignty of her means of defence for her soil.

MR. LLOYD GEORGE said he hoped that this would not prevent some agreement being reached by the League in regard to disarmament. He recalled that in regard to the navy, which was Great Britain's vital arm, Great Britain at Washington had agreed with the United States of America to a limitation of armaments.<sup>35</sup> Surely, then, France would not refuse to discuss the limitation of her vital arm with other nations. The army was no more important

<sup>35</sup> See Vol. XIV, Chap. VI.

to France to protect her from invasion than the navy was to protect Great Britain against starvation.

M. POINCARÉ agreed, but pointed out that Great Britain had retained a fleet which was sufficient to protect her against starvation or against anyone who wished to attack her, whereas France had alongside her a Power which was still more numerous in population than herself, and had not yet been disarmed. He said that the British memorandum on the pact, which had been published at Cannes,<sup>36</sup> had been so explicit on the subject that he really felt no apprehensions.

MR. LLOYD GEORGE said he had written the memorandum himself.

M. POINCARÉ, continuing, said that when the day came for an international convention in regard to limitation of armaments he would welcome it, but not until he had the certainty that Germany would disarm. He did not wish the question to be discussed at Genoa, however, and the French Government would not come to Genoa unless it was clear that this question would not be raised.

MR. LLOYD GEORGE said he had no desire, whatsoever, to raise the question, although he understood from the 'Temps' that he had such a desire. He really had to go to the French newspapers—the 'Temps,' 'Liberté' and the 'Matin'—in order to find out what his policy was! He did not see, however, how Russian armaments could be ruled out altogether. The French figures in regard to Russian armaments were more alarming than the British. M. Briand, at Washington, had attributed to Russia a very formidable army of 2 millions of men.<sup>37</sup> He would be sorry if at Genoa any reference to the Russian army was ruled out. He certainly did not wish to raise the question of the French army, but he would be sorry to rule out all reference to the Russian army when speaking of the proposed pact of non-aggression, since this army was a real menace to the peace of Europe.

M. POINCARÉ said he would be content if it were agreed not to mention the British fleet or the French army. In that event he would be quite satisfied to discuss the Russian army.

MR. LLOYD GEORGE asked whether it would not be possible at Genoa to bring Russia into the League of Nations' discussions on armaments. He felt that Russian armaments were a very important factor. They compelled Poland to keep an army of 500,000 or 600,000 men, and Roumania an army of 200,000 or 300,000. This was a crushing burden for these poor countries. Poland and Roumania would be discussing the strength of their armaments [i]n the League of Nations. Could not Russia also be asked to discuss them?

M. POINCARÉ said he was all the more willing to help in this suggestion as he had before him the actual strength of the Russian army. These figures were more recent than those which had been available to M. Briand, and showed that Russian arms were very formidable. Not only were the effectives very considerable, both in officers and other ranks, but they were provided with most formidable supplies of munitions, shrapnel, bombs and explosives.

<sup>36</sup> See No. 3, n. 1.

<sup>37</sup> Cf. *Conference on the Limitation of Armament* (Washington, 1922), p. 128.

In short, they had a very great army which was ready to enter upon operations. This information had been derived not merely from Poland, but from a very sure quarter. It was certainly a peril against which precautions ought to be taken. He was ready to bring Russia to discuss this question at the League of Nations, but he was not willing to examine any question relating to French armaments until her safety and her reparations were assured. Already France had reduced her military service by a half, and for the moment she could do no more.

MR. LLOYD GEORGE said he had no wish that the question of the French army should be raised at Genoa. That was a matter of the League of Nations, and he would prefer it to be discussed in the appropriate commission of the League.

M. POINCARÉ said that in the League of Nations, where France had her own representative, she would set forth her own position. M. Viviani<sup>18</sup> had already threatened to withdraw because the pretension had been put forward to require certain statistics which would have enabled the plans of mobilisation to become known.

MR. LLOYD GEORGE agreed. He said that Great Britain would never agree to be out-voted, but was ready to discuss the questions.

#### *The Non-Aggression Clause*

14. M. POINCARÉ, referring to the non-aggression clause, said it was a question of extending article 10 of the Covenant to Germany and the Soviets: the non-aggression clause at Genoa must be understood not to include any deprivation of the right of the Allies to coerce Germany. France did not wish to give up this right. France did not desire such sanctions or measures, but wished to keep the right to be able to take them in accordance with the Treaty of Versailles.

MR. LLOYD GEORGE said that this was a treaty right and could not be put in question. Russia, however, was not bound by the Treaty of Versailles, though Germany was bound.

M. POINCARÉ said that Germany was not bound by article 10 of the Covenant of the League of Nations, which referred only to members of the League.

MR. LLOYD GEORGE said he quite agreed with M. Poincaré that Germany and Russia should be bound by a definite convention to accept the same conditions as had already been accepted by the nations who had signed the Covenant of the League of Nations, namely, that they would not embark on any aggression against their neighbours. At the same time, Russia would expect Poland and her other neighbours not to embark on any aggressive action against her.

M. POINCARÉ said he was quite in accord on this point.

#### *Meeting of Experts*

15. M. POINCARÉ said that now that agreement had been reached on the

<sup>18</sup> M. René Viviani, a former President of the Council of Ministers.

principal political questions, the experts should be set to work as rapidly as possible in regard to economic questions.

MR. LLOYD GEORGE agreed.

#### *The Date of the Genoa Conference.*

16. M. POINCARÉ then reverted to the date of the Genoa Conference.

MR. LLOYD GEORGE said that, although the 10th April was an inconvenient date, in view of M. Poincaré's difficulties he would not press for an earlier date. He proposed that the two Governments should put the proposal to the Italian Government, who were conveners of the conference.

M. POINCARÉ agreed to do this, and asked if Mr. Lloyd George, therefore, would agree to suggest the 10th April.

MR. LLOYD GEORGE said he agreed.<sup>39</sup>

#### *Press Communiqué*

17. M. POINCARÉ raised the question of the press communiqué.

MR. LLOYD GEORGE said the press were showing the greatest interest in this meeting. He had been met on the road by an automobile full of French pressmen, who had followed him in. British journalists had followed him to Calais and thence to Boulogne. He thought it would be a very good thing in the communiqué to strike a really cordial note which would convey the feeling that France and Great Britain were in cordial agreement and marching together. M. Poincaré, no doubt, would know about his own public opinion, but it was his (Mr. Lloyd George's) business to know about British public opinion. If someone present could write a really cordial communiqué which would show that the two countries had a real desire to march together in regard to Genoa, it would have a very good effect, and would put an end to a great deal of snarling in the press.

M. POINCARÉ said that he would concur in this with all his heart.

MR. LLOYD GEORGE asked M. Poincaré if he would try his hand at drafting a communiqué.

M. POINCARÉ agreed to do so.

#### *The Pact*

18. During the discussion of the communiqué M. POINCARÉ raised the question of the pact, which he had not had time to discuss, although he had already postponed his departure half an hour.

MR. LLOYD GEORGE said he was quite willing to discuss the pact whenever M. Poincaré was ready. It would be easier for him to carry the pact in Parliament when all the other questions had been regulated.

#### *Press Communiqué*

After some discussion of the details, the following press communiqué was agreed to:—

'Mr. Lloyd George and M. Poincaré met to-day at Boulogne at the Sous-

<sup>39</sup> In Foreign Office telegram No. 70 of February 25, Lord Curzon instructed Sir R. Graham to propose to the Italian Government the postponement of the conference until April 10.

Préfecture, where they had a conversation of more than three hours' duration, in the course of which they examined in the most cordial spirit a certain number of problems at present before the Allies.

'The two Prime Ministers have been particularly concerned with the Genoa Conference. They entirely agreed on the political guarantees to be secured in order to avoid any encroachment either on the rights of the League of Nations or upon the treaties signed in France since the peace, or upon the rights of the Allies in regard to reparations.

'The experts will meet in London in a very short time in order to examine the economic and technical questions, and the Italian Government will be asked to convene the Genoa Conference on the 10th April.

'Mr. Lloyd George and M. Poincaré have very amicably come to an understanding on all the points which they have discussed, and they have both carried away with them, after their conversation, the certainty that the Entente between France and Great Britain in all international questions can be confidently expected to produce the most fruitful results.

'They feel particularly convinced that no difficulty of a political character will stand in the way of the two nations working together in full mutual confidence for the economic reconstruction of Europe and the consolidation of peace.'<sup>40</sup>

*(The conference adjourned at 6.45 p.m.)*

2, Whitehall Gardens, S.W., February 26, 1922.

<sup>40</sup> In his telegram No. 81 of March 9, Lord Curzon instructed Sir R. Graham to communicate a copy of these minutes to the Italian Government.

## No. 35

*The Marquess Curzon of Kedleston to Lord D'Abernon<sup>1</sup> (Berlin)*

*No. 16 Telegraphic [C 3061/458/62]\**

FOREIGN OFFICE, March 1, 1922, 9.40 p.m.

It is very desirable that the German Government should be under no misapprehension regarding the tenor and results of the Prime Minister's conversation with M. Poincaré at Boulogne.<sup>2</sup> The object with which the meeting was suggested was to make it quite clear to the French Government that British opinion was firmly set upon the meeting of the Genoa Conference without serious delay on the lines laid down at Cannes. As these lines are familiar to the German Government, they need not be summarised here. M. Poincaré explained the reasons for French uncertainty, and ultimately agreed that there should be no departure from the Cannes basis, which therefore stands unchanged.

The chief anxiety expressed by M. Poincaré arose apparently from a misunderstanding of the proposed scope of the Genoa Conference, which

<sup>1</sup> H.M. Ambassador Extraordinary and Plenipotentiary at Berlin.

<sup>2</sup> See No. 34.

had led some quarters in France to suppose that the whole principle of the peace treaties might be called in question by the Powers lately at war with the Western Allies or by neutrals in that war.

The Prime Minister therefore took occasion to explain that it had been made quite clear by the Cannes resolutions that Great Britain no more than France would allow any questioning of the settlement effected under the Treaties of Versailles, Saint-Germain, Neuilly and Trianon, which included the principle of German reparations. On the other hand, Great Britain would regard it as absurd to bar in discussion a reference to all the factors in the economic instability of Europe, of which the reparations question was, of course, one. The Prime Minister therefore suggested that the economic discussions at Genoa should be allowed free scope provided it was clearly laid down, firstly, that the Allies could not discuss the principles of the four treaties named and, secondly, that the regulation of the reparations question would not be withdrawn from the machinery set up by the Treaty of Versailles. These were, as he understood them, the principles laid down at Cannes. M. Poincaré concurred.

The postponement till April was agreed upon solely in order to enable France to finish her preparations which are very incomplete and thus to make her co-operation really effective. His Majesty's Government will be glad to exchange information informally with the German Government regarding the preliminary studies of their respective expert committees and their detailed preparations for the conference. The British preliminary work is now practically complete, and it might be useful for one or two members of the German committees to come to London unofficially next week.<sup>3</sup>

<sup>3</sup> In his telegram No. 57 of March 3, Lord D'Abernon replied: 'I conveyed substance of your telegram No. 16 to Minister for Foreign Affairs. German Government will send experts to London early next week—probably Bergmann and another. Dr. Rathenau is anxious to come to London himself, and will probably join experts following week unless His Majesty's Government think this course inexpedient.

'Account of Boulogne meeting contained in your telegram was a wholesome corrective to impression conveyed here by Havas Agency telegrams which, as is now clear, were partial and highly coloured.' In his telegram No. 18 of March 7, Lord Curzon instructed Lord D'Abernon to discourage Dr. Rathenau's proposal to visit London at this juncture.

## No. 36

*Sir A. Young<sup>1</sup> (Belgrade) to the Marquess Curzon of Kedleston*

*No. 95 [C 3263/458/62]*

BELGRADE, March 2, 1922

My Lord,

With reference to my despatch No. 90 of February 23,<sup>2</sup> respecting the attitude of this Government with regard to the Conference of Genoa, I have the honour to state that Mr. Ninčić the Minister for Foreign Affairs having returned from Bucharest, I called on him on Tuesday, his reception day,

<sup>1</sup> H.M. Minister at Belgrade.

<sup>2</sup> Not printed

and after treating various current affairs we had some conversation on the above mentioned subject.

Mr. Ninčić expressed his pleasure at the reports appearing that morning of a full agreement between Mr. Lloyd George and M. Poincaré.<sup>3</sup> He said that this country could not do otherwise than follow the French lead in regard to the subjects to be excluded from the scope of the Conference, and the precise specification of the programme. He said that the moment the conference had been announced movements had been started—he instance[d] Italian intrigues as regards Montenegro, the Croatian Memorandum, Bulgarian and Hungarian activities—movements which it was feared might lead to unpleasantness unless all hopes of their receiving attention at Genoa were nipped in the bud. Even if the Government had not real grounds for fearing intervention in such matters the people were seriously disquieted and required assurances. He was very pleased with the results of his conversation 'à quatre' at Bucharest, and the experts of the four Powers would meet at Belgrade on March 5.<sup>4</sup>

I think Mr. Ninčić was a little conscious of the absurdity of the four States who, as far as Central Europe is concerned, consider themselves the principal objects of Mr. Lloyd George's concern for reconstruction, meeting together apparently to concert measures of self defence against their would be benefactors. He confessed that he personally had always been of the opinion that the ruthless exaction of German reparations was incompatible with the restoration of a normal Europe. This Government would leave France and England to settle the German reparations question, and would also leave them to settle the question of the relations with the Soviet Government. This Government had no interest in the economics of Russia. They felt that they had politically made a mistake in receiving so many Russian refugees but had been actuated by purely humanitarian motives and a consciousness of the debt of gratitude they owed to Russia. Radek had been accusing this country of harbouring plotters against the Soviet regime and he had found it necessary to declare in press interviews at Bucharest that this was not so and that the Government would allow no action against the Soviet Government to be prepared in Yugoslavia. I think Mr. Ninčić had been feeling rather nervous lest, after all, the Soviet Government should succeed in maintaining itself and have hostile sentiments towards Serbia on account of the hospitality accorded to Russian reactionaries. The French Minister told me that he was anxious to bring about the visit of Dr. Benes to Belgrade in order that the latter should use his influence in moderating the White Russian tendencies of this country. Monsieur Clement Simon,<sup>5</sup> who has been overwhelmed by despatches and telegrams from his Government containing material for supporting the French point of view, also told

<sup>3</sup> See No. 34, minute 18 (Press Communiqué).

<sup>4</sup> As reported by Sir A. Young in his telegram No. 35 of March 9, the meeting of the experts of Roumania, Yugoslavia, Czechoslovakia, and Poland was postponed, owing to the late arrival of the Roumanian delegates, until the afternoon of March 9.

<sup>5</sup> M. Louis Clémont-Simon was the French Minister at Belgrade.



me that in the course of his activities for the promotion of common action on the part of France and the Little Entente, he had discovered that reluctance had been shown on several occasions to encourage visits of Dr. Benes to Belgrade. Probably the Czecho-Slovakians' superior abilities inspire mistrust and jealousy. On the other hand the Press has shown considerable satisfaction at the increase of the prestige of the Little Entente resulting from the success attributed to Dr. Benes in reconciling England and France.<sup>6</sup> This development is hailed as tending to the isolation of Italy.

Mr. Ninčić said that [his] Government, in view of their great interest in the rehabilitation of Central Europe, have felt themselves unable to accede to the British suggestion that the Little Entente should only be represented unofficially at the preliminary conference in London.<sup>7</sup> He quite understood however the argument that the extension of the preliminary conference, so as to include all the lesser Allies, would have the appearance of placing the neutrals and ex-enemies in a distinctive camp.

The Quadruple Entente experts are to assemble here on Saturday and begin their consultations on Monday. One wonders what sort of profitable expert advice the Poles, the Serbs and the Roumanians will be able to afford each other. Considering that the whole Yugoslav business community condemn their own administrators, especially the Minister of Finance, as blundering incapables, the situation is not without a humorous aspect.

The French Minister has been unable to ascertain to what degree Poland has now become associated with the Little Entente. He gathers that nothing has been put in writing but he is inclined to think that a formal agreement is being prepared.

I enclose herewith a translation<sup>8</sup> of the explanations to which Mr. Ninčić has caused renewed publicity to be given as regards the attitude of the Serb-Croat-Slovene State towards Soviet Russia: and I take this opportunity of recording that, according to statements in the Press, this country has voted six million dinars for the relief of famine distress in Russia on condition that the distribution is effected by its own agents and that the liberation of some thousands of Yugoslav subjects detained in Russia be procured.

At the time of my conversation with Mr. Ninčić, telegrams had been crossing each other which left it in doubt whether Mr. Ninčić was to meet Dr. Benes at Bratislava or the latter was to come here. As you are aware, Mr. Ninčić in fact left Belgrade for Czecho-Slovakia yesterday morning.

Unlike the Roumanian Minister for Foreign Affairs, as reported in Sir H. Dering's telegram No. 23 of February 24,<sup>8</sup> Mr. Ninčić volunteered no assurances that the four states were animated by good intentions towards the Great Powers but Your Lordship is already aware that the Serbian statesmen do not bother themselves much with the frills of diplomatic intercourse.

I have &c.

ALBAN YOUNG

<sup>6</sup> See Nos. 29 and 31.

<sup>7</sup> See No. 29.

<sup>8</sup> Not printed.

No. 37

*Sir G. Clerk<sup>1</sup> (Prague) to the Marquess Curzon of Kedleston (Received March 4, 4.15 p.m.)*

*No. 57 Telegraphic [C 3203/458/62]*

PRAGUE, March 4, 1922, 1.40 p.m.

Prime minister, whom I have just seen on his return from meeting with Yugoslav Minister for Foreign Affairs at Bratislava, told me when he came back from London<sup>2</sup> and Paris last week he found considerable soreness especially in Bucharest at refusal to allow participation of Little Entente in preliminary Genoa conference and also that his allies had been pushing association of Poland with Little Entente with rather too much zeal.

Monsieur Benes thought that as result of his . . .<sup>3</sup> at yesterday's meeting Belgrade and Bucharest realized and accepted reasons for exclusion of Little Entente from preliminary conference. Delegates of Little Entente meet at Belgrade on Sunday<sup>4</sup> and their conclusions will, I understand, be presented to allied governments for consideration before Genoa. As regards Poland, Monsieur Benes made it clear that her position towards Little Entente was that . . .<sup>3</sup> closely associated rather than allied power.

Prime minister reached complete agreement with Yugoslav Minister for Foreign Affairs as to common policy towards Russia—no support of reactionary movements, readiness to establish commercial relations—and Italy—punctilious observance of treaties, including Rapallo,<sup>5</sup> recognition of Italian claim to be heard in any question in succession states involving direct Italian interests, but absolute refusal to admit Italian intervention in other questions.

Repeated to Warsaw, Bucharest, and Belgrade for own information only.

<sup>1</sup> H.M. Minister at Prague.

<sup>2</sup> See Nos. 29 and 31.

<sup>3</sup> The text is here uncertain.

<sup>4</sup> Cf. No. 36, n. 4.

<sup>5</sup> The Treaty of November 12, 1920, between Italy and the Serb-Croat-Slovene Kingdom (see *B.F.S.P.*, vol. 113, pp. 1087-92).

No. 38

*Sir R. Graham (Rome) to the Marquess Curzon of Kedleston (Received March 5, 8.30 a.m.)*

*No. 120 Telegraphic [C 3209/458/62]*

ROME, March 4, 1922, 9.40 p.m.

My immediately preceding telegram.<sup>1</sup>

Signor Schanzer then turned to the question of Genoa conference. The present arrangements were that the President of the Council would attend and preside over opening meeting, but would leave subsequent meetings to his, Schanzer's, presidency. Tittoni had been proposed as president but

<sup>1</sup> Of March 4, not printed.

arrangements had, to his own regret, fallen through. He said that he and President of the Council had been discussing the prospects of conference. They were of opinion that the time for preparation before April 10th was very short and that there would be considerable advantage in deferring conference for further brief period. He asked me my opinion. I replied that Italian government would be making serious mistake if they endeavoured to defer conference till later date than April 10th. Marquis della Torretta had assured me up to the last moment that Bonomi government was prepared to adhere to original date of March 8th. Mr. Lloyd George and Monsieur Poincaré had agreed to suggested postponement of one month from that date,<sup>2</sup> but I thought this to be the utmost limit to which we should go, and and further postponement would, I thought, create painful impression not only on His Majesty's Government but on all other governments sincerely interested in conference. It was time we got to work. His Excellency seemed to be impressed and said that I was probably right. Italian government had indeed already received very impertinent message from Chicherin<sup>3</sup> with regard to present postponement and if there was further delay Soviet government might refuse to be represented. Finally he promised to persuade President of the Council and his colleagues to agree to April 10th. I pointed out that I had as yet received no reply as to whether this date was acceptable to Italian government. After some enquiries on the spot which showed that Torretta had refused to deal with question at all during his last days of office, Schanzer promised me an early decision.

His Excellency then told me of his private interview with Monsieur Poincaré on his way through Paris. The latter had informed him of conversations with Mr. Lloyd George<sup>4</sup> and of agreement arrived at that questions of (1) disarmament, (2) revision of peace treaties and (3) reparations, should be excluded from purview of Genoa conference. Schanzer had pointed out to Monsieur Poincaré how sensitive Italian opinion was over having been omitted from these conversations. He had asked Monsieur Poincaré to communicate *procès-verbaux* of them to him and this the latter had promised to do if Mr. Lloyd George had no objection. Schanzer urged that he might receive them as soon as possible. He said that he had represented to Monsieur Poincaré that while above-mentioned point could be of course excluded from 'mot du jour' at the conference, it would be exceedingly difficult to ensure that they should never be brought up in any form and that no reference should be made to them. Monsieur Poincaré had replied that their exclusion was essential and that in the opposite event the French delegates would withdraw from the meeting. Signor Schanzer had urged that as presumably President of Conference would be Italian there would fall to his lot disagreeable and difficult task of excluding such questions. They were almost certain to be raised in some form or other by Russian or German

<sup>2</sup> See No. 34, minute 6.

<sup>3</sup> This telegram, dated February 26, not printed, was repeated to Lord Curzon (N 1908/646/38).

<sup>4</sup> See No. 34.

delegates. If President took too rigid a course in endeavouring to prevent their discussion he would be attacked by socialist and radical elements in Italy as attempting to stifle free course of conference and Italian government would certainly be upset. Signor Schanzer desired me to represent to Your Lordship and to Mr. Lloyd George that while Italian presidency of conference would do everything it could to exclude three points, and if they were raised to circumscribe their discussion as far as possible he could not absolutely guarantee that they would not be brought up, in which case he trusted that French and British delegates would not adopt too uncompromising attitude. He hoped that you and Mr. Lloyd George would share his point of view and would support him in urging moderation on French for he had not been at all encouraged by Monsieur Poincaré's outlook on question. Withdrawal of French delegates would certainly wreck the conference but so would equally withdrawal of either Russians or Germans. It was absolutely essential to all parties concerned that conference should produce concrete results. I said that in my opinion His Majesty's Government would be likely to share His Excellency's point of view but that I would at once report it to you.

Impression Signor Schanzer gave me was that he was nervous and apprehensive as to the prospects of conference.

### No. 39

*Sir A. Geddes<sup>1</sup> (Washington) to the Marquess Curzon of Kedleston  
(Received March 9, 8.30 a.m.)*

*No. 128 Telegraphic [C 3483/458/62]*

WASHINGTON, March 7, 1922<sup>2</sup>

Urgent American reply<sup>3</sup> in regard to Genoa conference was delivered to Italian Ambassador this afternoon, and will be published tomorrow morning. After expressing deep interest in promoting economic rehabilitation of Europe, United States government observe that there can manifestly be no improvement in world conditions in absence of European recuperation. Moreover, it is not primarily an economic conference as questions are excluded without a satisfactory determination of which chief causes of economic disturbance must continue to operate. Conference is of a political character, and American people do not wish to become involved in European political questions.

As regards Russia, note maintains same attitude as that laid down in published reply to Russian government of March 25th, 1921.<sup>4</sup>

<sup>1</sup> H.M. Ambassador Extraordinary and Plenipotentiary at Washington.

<sup>2</sup> The time of despatch is not recorded.

<sup>3</sup> This reply, dated March 8, 1922, is published in *F.R.U.S.* 1922, vol. i, pp. 392-4.

<sup>4</sup> See *F.R.U.S.* 1921, vol. ii, p. 768.

Finally, while regretting inability to take part in conference, United States government sincerely hopes that progress may be made in preparing way for the eventual discussion and settlement of fundamental economic and financial question[s].

No. 40

*Articles of Agreement to form the basis of a treaty with Russia*

[N 2322/646/38]

(Preliminary Draft.)<sup>1</sup>

SUMMARY

- I. Propaganda.
- II. Treaties.
- III. Debts, Property, &c.
- IV. Law.
- V. Trade facilities.
- VI. Miscellaneous.

I

1. The high contracting parties agree to refrain from propaganda subversive of the order and established political system in one another's territories.

2. In particular the Russian Soviet Government undertakes to refrain from affording any assistance, direct or indirect, to any movement which has for its objective the disturbance of the status quo in Asia.

3. Further it will make no attempt to interfere in the internal affairs of the non-Russian Asiatic States, e.g., Turkey, Iraq, Persia, Afghanistan, India, Tibet and China, and it agrees to respect the sovereignty of the duly constituted Governments of these countries.

4. The Russian Soviet Government further undertakes to suppress all attempts by its agents or other parties within its territories to supply munitions of war and assistance to any revolutionary movements in the territories of the other high contracting parties or to incite or encourage any such movements.

5. The Russian Soviet Government undertakes to adopt an attitude of strict neutrality towards Greece and the Grand National Assembly at Angora and to cease all State assistance in money and munitions to either party. The Russian Soviet Government also agrees to use all its influence to assist the Allied Powers in early restoration of peace in Asia Minor.<sup>2</sup>

<sup>1</sup> This undated draft of articles of agreement to form the basis of a treaty with Russia was prepared by a small drafting committee in the Foreign Office at the request of the Interdepartmental Committee set up to consider preparations for the Genoa Conference (see No. 29, n. 1). It was seen by Sir E. Crowe on March 8.

<sup>2</sup> For the attempts of the Allied Powers to restore peace in Asia Minor, see Vol. XVII, *passim*.

## II

1. Bilateral treaties, conventions or agreements which had been concluded between the old Russian Government and any of the high contracting parties shall be regarded as no longer in force; the renewal of any such treaties, conventions or agreements shall form the subject of separate agreements between the Russian Government and each of the high contracting parties concerned.

2. Multilateral conventions and agreements of an economic, technical or legal character to which the former Russian Governments were parties shall be regarded as still binding on Russia, provided that the Russian Soviet Government undertake to fulfil all the stipulations contained therein.

3. Contributions owing by Russia in respect of the upkeep of any central bureau or office established by any such convention shall be paid, but all other claims by or against Russia arising out of the non-fulfilment of the provisions of such convention shall be waived.

4. Multilateral conventions of a political nature to which the old Russian Government was a party, if still in force, shall be regarded as binding on Russia, except those which have not been carried into effect and which relate to the disposition of territory or the settlement of boundaries.

5. The other high contracting parties take note of the treaties concluded by Russia with Finland, Esthonia, Latvia, Lithuania and Poland, and recognise the territorial settlements effected therein.<sup>3</sup>

6. Notwithstanding article 3 of the Russo-Finnish Treaty the British and . . . Governments cannot recognise Russian and Finnish territorial waters as extending beyond the limit of three nautical miles.

7. The Russian Soviet Government takes note of the treaties concluded by the Allied and Associated Powers with Germany, Austria, Hungary and Bulgaria, and recognises the territorial settlements effect[ed] therein.

8. The Russian Soviet Government adheres to the Treaty of Bessarabia [*sic*]<sup>4</sup> and the Aland Islands Convention.<sup>5</sup>

## III

[1.] The Russian Soviet Government accepts the financial obligations of its predecessors, viz., the Imperial Russian Government and the Russian Provisional Government, towards the other high contracting parties and their nationals.

2. The Russian Soviet Government accepts the financial obligations of municipalities and public utility undertakings towards the other high contracting parties and their nationals.

3. The Russian Soviet Government recognises its liability to pay com-

<sup>3</sup> For the dates and textual sources of these treaties, see Slusser and Triska, pp. 1-29, *passim*.

<sup>4</sup> Of October 28, 1920, by which the Supreme Council recognised Roumanian sovereignty over Bessarabia (see *B.F.S.P.*, vol. 113, pp. 647-51).

<sup>5</sup> Of October 20, 1921, de-fortifying and neutralising the Aland Islands (see *B.F.S.P.*, vol. 114, pp. 421-6).

compensation to private citizens, nationals of the other high contracting parties, who have supplied goods or services to Russia for which they have not been paid, and also in respect of other claims for actual losses incurred by such private citizens. The Governments of the other high contracting parties recognise similar liabilities towards private citizens who are nationals of the Russian Soviet Republic.

4. The liability of the high contracting parties under the preceding paragraphs shall be determined by the Russian Debt Commission and the Mixed Arbitral Tribunals to be set up in accordance with Annexes I and II. These bodies shall also determine the amount and method of payment to be made whether by way of compensation or otherwise, as laid down in Annexes I to III.

5. Notwithstanding anything else in these articles of agreement, all intergovernmental debts, liabilities and obligations of any sort incurred between the Russian Governments on the one hand, and the other high contracting parties on the other, since the 1st August, 1914, shall be deemed fully and completely met by the admission of net liabilities between the parties one with another as set out in the accompanying schedule.

6. The high contracting parties mutually agree to restore all the property, rights and interests of their respective Governments vested in and belonging to their former embassies and consulates situated within their respective territories.

7. The Russian Soviet Government on the one hand, and the other high contracting parties on the other, mutually agree to restore all property belonging to their respective nationals situated within one another's territories, whether held in trust or in the name of corporations or of individual persons, which is or has been maintained and administered for, or devoted to, purposes or objects of a religious or charitable nature. The above is understood to comprise the buildings and appurtenances of churches and chapels of all denominations, monuments, memorials and objects of a similar nature.

8. The high contracting parties mutually agree to restore the full and exclusive rights of ownership over the land in their respective territories in which are situated the graves of their respective soldiers and sailors who fell in action or died from wounds, accident or disease, as well as over the lands acquired for laying out cemeteries or erecting memorials to the soldiers or sailors, or providing means of access to such cemeteries or memorials. They further agree to restore any rights of ownership whether public or private, formerly vested in cemeteries devoted exclusively to the internment of their respective nationals.

#### ANNEX I

A Russian debt commission shall be established, consisting of ten members with a chairman to be appointed by agreement between the members, or in default to be named by the permanent Court of International Justice at The Hague. Five of the ten members shall be nominated by the Russian Government and the remaining five by the other high contracting parties.

The commission will have the following functions:—

(i) To constitute and prescribe the procedure of the Mixed Arbitral Tribunals, to be set up in accordance with the provisions of Annex II, and to issue such instructions as may be necessary in order to secure uniformity in their proceedings.

(ii) To issue new Russian bonds in accordance with the provisions of Annex II to persons entitled thereto under awards of the Mixed Arbitral Tribunals, and to holders of existing State bonds and other bonds and stock for which the new Russian bonds are to be given in exchange, and where necessary to determine the amount of new bonds due. The rate of interest adopted for the purpose of calculating the present value of claims shall be the same as that yielded by the new bonds.

(iii) To determine all questions arising out of the issue, rates of interest and terms of redemption of the new Russian bonds referred to in paragraph 2.

(iv) To determine whether and to what extent the new Russian bonds shall be redeemed before the expiration of the period of moratorium in accordance with Annex II, paragraph 1, and Annex III, paragraph (v).

The liabilities of the high contracting parties under article 3, clauses 1 to 3, shall be assessed in accordance with the following principles (see Annex II).

## ANNEX II

1. Russian Government loans in foreign currencies will be revived, but interest and repayment of capital due from the date when payments ceased until November 1927, or until such other date as may be determined by the Russian Debt Commission, will be funded.

2. *Municipal, railway or public utility bonds in foreign currencies* will, if guaranteed by the State, be exchangeable into new Russian bonds at prices equivalent as near as may be to their sterling value dependent on the interest rate, redemption rate and any special advantages or disadvantages contained in their terms of issue. If not guaranteed by the State the conversion figure will be a percentage lower, the exact figure to be determined by the original value of the security. Arrears of interest unpaid on account of the revolution will be funded.

3. *Russian Government rouble loans or Government guaranteed municipal, railway or public utility bonds issued in roubles* will, if proved to have been acquired by the present holders before the date of repudiation by the Russian Government, be converted into new Russian bonds on the principles enunciated in the clause above, the rouble being exchanged into sterling as at the rate determined in paragraph 4 (ix) below.

4. *Factories, mines and other property in Russia which have been confiscated, requisitioned or destroyed.*

(i) Claims for compensation for dispossession, destruction or damage will be settled by agreement so far as possible by the restitution of the same or equivalent property on agreed terms. In default of agreement claims will be registered by the Debt Commission referred to in Annex I, and will be



referred to Mixed Arbitral Tribunals for adjudication and assessment of the amount of compensation on a monetary basis.

(ii) A period of grace of twelve months will be allowed for registration of claims, in accordance with procedure to be laid down by the Russian Debt Commission, subject to exception in special cases. The Russian Soviet Government will not be required to consider claims entered after the expiration of this period.

(iii) The basis of compensation will be the value of the property on the 1st November, 1917, as determined by the surplus of real or tangible assets over liabilities. The tribunals will have full discretion to consider whatever evidence may be available bearing on the value.

(iv) The tribunals will be empowered to make allowance for special circumstances which at that time materially affected the value of the property, e.g., abnormal and temporary inflation in value of a munition factory, or temporary diminution in value due to naval blockade in the case of an exporting business on the Black Sea.

(v) Where any property or any business which is restored by agreement under (i) above was on the 1st November, 1917 subject to any obligation which may be the subject of a claim under article 3, the creditor may claim against the business or against the Russian Soviet Government at his option, and in the latter event will be allowed an extension of time for the registration of his claim. But if the creditor claims against the Russian Soviet Government and compensation is awarded, the Russian Soviet Government will become to that amount the creditor of the property of the business.

(vi) Where claims exist against a business for which monetary compensation has been paid, such claims will lie against the Russian Soviet Government and not against any person who has received compensation.

(vii) Tribunals will be required to recognise claims in respect of rights which legally existed in March 1917.

(viii) Creditors of any property or business for which no compensation is claimed, or for which no compensation is granted, may claim compensation from the Russian Soviet Government if they can establish a right within the meaning of articles . . . .

(ix) The value of the rouble will be taken as at the rate of exchange prevailing on the 1st November, 1917, i.e., about 35 to the £. Debts in foreign currencies will be payable in those currencies, and debts in roubles will be converted into sterling at the same rate [as] that fixed for awards of compensation for property above.

(x) Interest will be paid on all amounts allocated by way of compensation as from November 1917. In assessing the amount of compensation payable to any creditor the tribunal will have regard to the capacity of the property or business to meet the liabilities upon it at the period of the revolution irrespective of the action or negligence of the Russian Soviet Government, for which liability now rests on the Russian Soviet Government under article 3.

### ANNEX III

1. All accepted claims for monetary compensation against the Russian Soviet Government will be met by the issue of new Russian bonds up to the amounts fixed by the Mixed Arbitral Tribunals. The terms of issue of the bonds, together with all questions arising out of the conversion of existing bonds of all kinds and out of the administration of the bond issue, will be under the control of the Russian Debt Commission.

2. The other high contracting parties may discharge all liabilities arising under article 3 in the same bonds at their sterling value.

3. The bonds shall carry a rate of interest to be determined by the Russian Debt Commission, and shall be subjected to redemption by annual drawings.

4. There shall be a charge on the whole assets of the Russian State.

5. Interest shall be funded, and the Russian Soviet Government shall not be required to redeem any bonds for a period of five years from the signature of these articles. It shall be within the competence of the Debt Commission to issue bonds of a special series in respect of funded interest. Any such interest bonds would carry the same rights and be in all respects the same as the new Russian bonds, except for a preferential right for redemption during the moratorium period if any redemption were then possible.

6. The Russian Soviet Government shall be permitted to make drawings if it desires to do so before the expiration of the moratorium period giving priority to the interest bonds.

### ANNEX IV

[1.] The Russian Soviet Government undertakes to provide for the proper administration of justice in accordance with the principles set out below:—

(1) The judiciary should be independent of executive power and free from all interference from it in the administration of the law.

(2) A law which is ascertainable of general application and equal between persons should be administered in public by professional and impartial judges.

(3) Access to the courts should be freely open to non-nationals, who should have the right to be represented by trained advocates. No disability shall be imposed upon non-nationals as compared with nationals.

(4) The procedure of the courts should be such as to facilitate the thorough and rapid administration of justice, and provision should be made for rehearing by the same court, in appropriate cases and for appeal from courts of first instance to higher tribunals.

(5) The courts should apply foreign law on the evidence of duly qualified experts in any case where this is provided for or implied by the agreement which is the subject of litigation.

2. The high contracting parties accept and endorse the principle that the municipal law should recognise an agreement between parties to submit to arbitration any or all disputes arising out of a contract. They are further agreed—

(1) That such an agreement should be a good defence in proceedings before the courts and should operate, failing an express term in the agreement to the contrary, to exclude the jurisdiction of the courts in any matter covered by the agreement, and

(2) That provision should be made in each country (subject to the necessary safeguards) for giving effect to and enforcing arbitration awards given in a foreign country in accordance with such an agreement.

#### ANNEX V

[1.] Each high contracting party undertakes generally to permit the entry and egress of the nationals of the others into and from its territory, in accordance with the usual practice of civilised States, and subject to its own municipal laws.

2.—(i) The nationals of one high contracting party admitted into the territory of another shall, while sojourning therein, be exempted from all compulsory services, whether civil, naval, military or other, and from any contributions, whether pecuniary or in kind, imposed as an equivalent for personal service.

(ii) Such nationals shall be at liberty to communicate freely by post, telegraph and wireless telegraphy and to use telegraph codes under the conditions and subject to the regulations laid down in the International Telegraph Convention signed at St. Petersburg in 1875 (Lisbon revision of 1908).<sup>6</sup>

(iii) Such nationals shall further enjoy all protection, rights and facilities which are necessary to enable them to carry on trade or for other purposes, in accordance with the usual practice of civilised States.

3. The produce of manufacture of one high contracting party imported into the territory of another for purposes of trade shall not be subjected therein to compulsory requisition on the part of the Government or of any local authority.

4. [(i)] The joint stock companies and other associations, commercial, industrial and financial, constituted and authorised in conformity with the laws in force in the territories of the other high contracting parties, may freely exercise in Russia all their rights, including that of appearing before tribunals, whether for the purpose of bringing an action or for defending themselves, and conversely any such companies constituted and authorised in accordance with Russian law shall enjoy similar rights in the territories of the other high contracting parties.

(ii) Nothing in this clause shall entitle any foreign company to carry on in any country any class of business, industry, profession or occupation the exercise of which is reserved by the laws of that country exclusively to nationals or national companies.

5.—(i) The high contracting parties agree that foreign firms or individuals carrying on any permitted trade, profession or occupation shall be subject only to the same taxation as is borne by nationals.

<sup>6</sup> See *B.F.S.P.*, vol. 102, pp. 214-340.

(ii) The high contracting parties further agree that the taxation of foreign companies should be based on similar principles and the system of taxation so framed and administered that branches of foreign companies carrying on permitted trades, professions and occupations in the territory of any country should not bear a greater burden of taxation in that country than do similar businesses carried on there by native companies.

6.—(i) The other high contracting parties agree that negotiations shall be opened between themselves and Russia for the early conclusion of commercial treaties on the basis of reciprocal most-favoured-nation treatment in respect of commerce and navigation generally (including the customs treatment of goods) and reciprocal treatment of foreign shipping in all that regards the stationing, loading and unloading of vessels and the imposition of dues of all kinds on shipping. Such treaties shall also include provisions for safeguarding the right of the proprietors of patents, trade-marks, designs and copyrights.

(ii) It is agreed that nothing in these treaties shall preclude the parties thereto from reserving to national vessels the right to carry on coasting trade.

#### ANNEX VI

[1.] The high contracting parties agree to institute negotiations for the early conclusion of consular conventions and extradition treaties.

2. The Russian Soviet Government undertakes, in conformity with recognised international practice, to admit to Russia any Russian nationals who apply for permission to return to their country, and who can establish their claim to Russian nationality.

3. The Russian Soviet Government agrees to grant a full political amnesty to all Russian nationals who at any time have taken part in any action against the Russian Soviet Government, except where valid reasons can be adduced for excluding particular individuals.

4. The Russian Soviet Government further undertakes to come to an early settlement with those Governments who are now maintaining or affording protection to Russian nationals abroad for their return to their country should they so desire, and pending such settlements to suspend the operation of the recent Russian nationality law whereby such Russian nationals would be deprived of their nationality.

5. Nationals of the high contracting parties resident within each other's territories shall be at liberty to exercise in private and in their own dwellings, or in the dwellings or offices of their Ministers, consuls and vice-consuls, or in any public edifice set apart for the purpose, their religious rites, services and worship, and to assemble therein for that purpose without hindrance or molestation.

No. 41

*Memorandum<sup>1</sup> by Sir S. Chapman<sup>2</sup> on his meeting with M. Seydoux*  
[C 3634/458/62]

BOARD OF TRADE, *March 10, 1922*

I crossed to Paris on Tuesday night<sup>3</sup> and had interviews with M. Seydoux of the Commercial Relations Department of the Foreign Office and M. Avenol, Financial Expert, on Wednesday and Thursday. At the meeting on Thursday morning Signor Giannini the Italian expert, was also present.

I gave the French and Italians our general proposals<sup>4</sup> and a brief summary of the Russian proposals,<sup>5</sup> and discussed the matter with them quite frankly in a general way. They are to examine the proposals and let me have any observations.

I inferred from our conversations that the French had been under a misapprehension as to what was to be attempted at Genoa. They seem to me to have imagined that we thought mainly of getting over our present economic difficulties by using Russia and Central and Eastern European States as markets at once to the greatest extent possible with the aid apparently of Government credits, and they appeared apprehensive that the hasty exploitation of the resources of these States for the benefit of foreign interests might impair the chances of their eventual recovery and of a satisfactory solution of the Russian problem.

M. Seydoux raised no objections to our Russian proposals, and before seeing them had volunteered the statement that the French Government were prepared to deal with the question of Russian debts in a broad manner, but considered that it was necessary to look forward to the reconstruction of Russia so that she should be eventually in a position to meet her obligations.

As regards the proposals relating to general European reconstruction, the French representatives expressed themselves in general agreement with our ideas and liked the notion of getting the results embodied in a European convention, but as regards the International Corporation<sup>6</sup> they emphasised the necessity of making it clear that the object of the corporation was the reconstruction of Europe and not the exploitation of the weaker countries by 'big business'. M. Seydoux also appeared to have at the back of his mind the idea that Genoa was intended as a rival to the League of Nations, and that the British Government would not be prepared to use the League machinery for carrying out the results of the Genoa conference so far as action by an international body was necessary.

Owing I think largely to their misconception of our aim in the conference, the French have made very little real progress in preparing a programme so

<sup>1</sup> A copy of this memorandum was communicated to the Foreign Office by the Board of Trade. It was submitted to Lord Curzon on March 10.

<sup>2</sup> See No. 29, n. 1.

<sup>3</sup> March 7.

<sup>4</sup> See No. 44, Enclosure 1, below.

<sup>5</sup> Ibid., Enclosure 2; see also No. 40.

<sup>6</sup> See No. 34, n. 34.

that we may hope that they will follow generally on our lines which seem to please them. M. Seydoux expressed himself as gratified at my having gone over to see him and he gave me the impression that he was anxious to be in accord with us and co-operate cordially in making Genoa a success.

S. J. CHAPMAN

No. 42

*Board of Trade Memorandum<sup>1</sup> on Unofficial Meeting with German  
Representatives on Friday, March 10, 1922*

[C 3683/458/62]

PRESENT:

Sir Sydney Chapman	Herr von Simson <sup>4</sup>
Mr. Fountain <sup>2</sup>	Herr Bergmann <sup>5</sup>
Mr. Hutchinson <sup>3</sup>	Herr Dufour Feronce <sup>6</sup>

SIR SYDNEY CHAPMAN explained the general lines of procedure at Genoa which were in our minds and the proposals which we were considering for submission in the conference.<sup>7</sup> No papers were shown.

On the currency proposals the German representatives expressed themselves in general agreement with what was outlined. They argued that it was important not only to lay down what should be done in order to restore stability, but the method of doing it, and that for them (and through them for the other Central European countries) the whole question was bound up with that of reparations. Herr von Simson expressed the feeling of the German Government that, in order that practical results might be achieved at Genoa, the reparation payments required from Germany should be definitely fixed before the conference took place for a period of at any rate three or five years. He was anxious to ascertain whether there would be the possibility of the British, French and German Governments discussing this question, to which he returned several times. If so he would be prepared to return to London next week in connection with the matter. Sir Sydney Chapman promised to report what he had said.

As regards artificial regulation of exchange operations Herr Bergmann stated his view that this was objectionable and said that with slight exceptions they were no longer in existence in Germany. He remarked, however, that he had on a number of occasions been urged by members of the Reparation Commission to establish artificial control for the purpose of preventing speculation.

<sup>1</sup> A copy of this memorandum was communicated to the Foreign Office by the Board of Trade. It was submitted to Lord Curzon on March 10.

<sup>2</sup> Mr. H. Fountain, an Assistant Secretary in the Board of Trade, and head of the Commercial Relations and Treaties Department.

<sup>3</sup> Mr. H. J. Hutchinson, an Assistant Principal in the Board of Trade.

<sup>4</sup> A Secretary of State in the German Foreign Office.

<sup>5</sup> See No. 9, n. 8.

<sup>6</sup> Counsellor of the German Embassy in London.

<sup>7</sup> See No. 44, below.

The German representatives stated that they realised the objections to the restriction of imports by means of prohibitions with licensing systems, although until January next they were tied as regards customs duties on certain articles (silk, wines, fruit, &c.), by provisions of the Treaty of Peace. They pointed out the difficulty of securing practical results from the resolutions without having somebody to at least report and recommend. They thought it would be very difficult, in view of German feeling with regard to the League of Nations, to accept this body as suitable for the purpose, and were doubtful whether this difficulty would be altogether removed (though it might be) by the temporary addition of German representatives and by limiting the functions of the League to making reports with recommendations not binding upon the Governments concerned.

With regard to transport they mentioned that they might have some proposals to make with regard to agreements between railways in different countries concerning working, bearing in mind specially the Polish corridor.

SIR SYDNEY CHAPMAN sketched the general outline of our Russian economic and financial ideas.<sup>8</sup> In regard to those relating to debts and claims, von Simson said that he thought the interest of Germany would be the same as that of England and France. With regard to the guarantees for fair treatment of foreign traders in Russia in the future he offered to furnish a memorandum on the legal position which had been prepared by the German authorities.

HERR BERGMANN said that he would be able to return to England the next week. Sir Sydney Chapman said that he would be glad to see him at any time if there were further points to be raised.

SIR SYDNEY explained that it would probably not be possible to give the German representatives papers until after the Conference of Allied Experts which was to begin on the 20th March.<sup>9</sup>

<sup>8</sup> See No. 40, and No. 44, Enclosure 2, below.

<sup>9</sup> This date had been arranged by Sir S. Chapman when he visited M. Seydoux and Signor Giannini in Paris (see No. 41).

### No. 43

*Sir R. Graham (Rome) to the Marquess Curzon of Kedleston*  
(Received March 11, 5.30 p.m.)

*No. 132 Telegraphic [C 3634/458/62]*

ROME, March 11, 1922, 3 p.m.

Your telegram No. 81.<sup>1</sup>

I have communicated British text of Boulogne conversations<sup>2</sup> to Minister for Foreign Affairs as authorized. Minister for Foreign Affairs expressed his warm thanks and said he would compare it carefully with French text which had only reached him yesterday. He was glad to observe from latter that

<sup>1</sup> See No. 34, n. 40.

<sup>2</sup> No. 34.

Mr. Lloyd George appeared to share his view that it would be almost impossible to exclude entirely from discussions at Genoa all reference to three points<sup>3</sup> and he counted on our support in this question with French.

In reply to enquiry on my part as regards fixing date of conference Minister for Foreign Affairs said he had instructed Italian ambassador at London that while Italian government would have preferred a further brief postponement they would be ready to agree to April 10th out of deference to wishes of Mr. Lloyd George. Eventually His Excellency authorized me to inform you (?officially) that Italian government definitely accepts date of April 10th.

His Excellency then read me . . .<sup>4</sup> telegram from Italian ambassador, Washington, reporting refusal of United States government to participate in conference. Terms of American reply<sup>5</sup> are as recorded in press. He said that he had been perfectly aware before he left Washington that United States of America would refuse invitation. Ostensible reason given to him by President of the United States of America had been that United States of America would not be represented at such a conference before Senate had ratified Washington convention.<sup>6</sup> Real reason was fear that question of inter allied debts might be raised.

I asked His Excellency whether he had any information to confirm 'Times' report<sup>7</sup> of alleged language used by Trotsky to the effect that Soviet government would not come to Genoa. He replied that on the contrary Worovsky<sup>8</sup> had visited him only yesterday and had expressed keen interest of his government in the conference and their desire to make it a success. His Excellency had taken opportunity to warn Worovsky that its success or failure would depend in large degree on attitude adopted by Russia (?here). It was essential that they should abstain from methods of propaganda. Worovsky had agreed.

<sup>3</sup> See No. 32.

<sup>4</sup> The text is here uncertain.

<sup>5</sup> See No. 39.

<sup>6</sup> See *F.R.U.S.* 1922, vol. i, pp. 378-84.

<sup>7</sup> Presumably a reference to *The Times*, February 27, 1922, p. 9.

<sup>8</sup> Soviet ambassador at Rome.

## No. 44

### *The Marquess Curzon of Kedleston to the Italian Ambassador*<sup>1</sup>

[C 3818/458/62]

FOREIGN OFFICE, March 14, 1922

Your Excellency,

I have the honour to transmit to you herewith copies of two documents prepared by the inter-Departmental committee charged with the study of the economic and financial items of the agenda for the Genoa conference.

<sup>1</sup> An identical communication was made to the French Ambassador. Copies of the two enclosures were communicated on March 14 to the Japanese Ambassador and the Belgian Ambassador.



2. Copies of these documents were handed unofficially to M. Seydoux and Dr. Giannini by Sir S. Chapman in the course of his recent visit to Paris.<sup>2</sup> They will be communicated to the inter-Allied experts at the meeting on the 20th March next.

3. As their substance has not yet been seen, and still less approved, by any British Minister, I would venture to draw the particular attention of your Excellency to the need for treating these documents as highly secret and confidential. You will, of course, realise that they can be regarded only as a summary of the present state of the work of the British Inter-Departmental Committee.

I have, &c.

CURZON OF KEDLESTON

ENCLOSURE I IN No. 44

*Suggestions as to Resolutions to be submitted at Genoa together with Draft Convention embodying their Substance.*

(A)—FINANCIAL RESOLUTIONS.

I.—Currency.

1. An essential requisite for the economic reconstruction of Europe is the achievement by each country of stability in the value of its currency. No country can gain control of its own currency so long as there is a deficiency in the annual budget which is met by the creation of paper money or bank credits. It is for every country to overcome such a deficiency by its own independent efforts, and only then will its way be open to currency reform.

2. Measures of currency reform will be facilitated if the practice of continuous co-operation among certain banks can be developed. A permanent association of central banks, not necessarily confined to Europe, would provide opportunities of co-ordinating credit policy, without hampering the freedom of the several banks.

3. It is desirable that all European currencies should be based upon a common standard.

4. Gold is the only common standard which all European countries could at present agree to adopt.

5. In a number of countries it will not be possible for some years to restore an effective gold standard, but it is in the general interest that European Governments should declare now that this is their ultimate object, and should agree on the programme by way of which they intend to achieve it.

6. In each country the first step towards re-establishing a gold standard will be the balancing of the annual expenditure of the State without the creation of fresh credit unrepresented by new assets.

7. The next step will be to determine and fix the gold value of the monetary unit. Each country must decide, according to its own circumstances,

<sup>2</sup> On March 8 (see No. 41).

whether to adopt the old parity gold or a new parity approximating to the exchange value of the monetary unit at the time.

8. These steps might by themselves suffice to establish a gold standard, but its successful maintenance would be materially promoted, not only by the proposed association of central banks, but by an international agreement. This agreement, which might be based upon the system known as a gold exchange standard, should be framed with a view to centralising the demand for gold as currency, and avoiding those wide fluctuations in the purchasing power of gold which might otherwise result from simultaneous and competitive efforts of a number of countries to secure metallic reserves.

## II.—*Credits.*

The conference, while it is confident that private credit will again become available as soon as currencies are stabilised and confidence is restored, recognises the necessity under existing conditions of special machinery for facilitating the immediate co-operation of the economically stronger countries for reconstruction purposes.

The States here represented are therefore agreed—

(a) To approve the scheme of the international corporation now before them.

(b) To support the corporation and facilitate its operations.

(c) That it is essential for countries in need of credits to take steps at once to make their assets available to serve as security for the assistance they require, whether through the international corporation or other channels, and immediately to enter into consultation with the corporation or other agencies for the purpose of securing such co-operation.

## III.—*Exchanges.*

The conference recognises that one of the chief obstacles in the way of the restoration of trade is the collapsed condition and instability of many of the European exchanges, and that this is due to the continual depreciation of currency, the failure of production for export and the lack of trade facilities. It affirms its conviction that attempts to limit fluctuations in exchange by imposing artificial control on exchange operations are futile and mischievous; that the only sure remedy is to remove the causes of instability. In the meantime the carrying out of the recommendation of the conference relating to credits would afford some relief.

The conference therefore recommends—

1. That all regulations attempting to limit fluctuations in exchange by means of artificial control of exchange operations should be abolished at the earliest possible date.
2. That the States here represented should undertake to remove within twelve months after substantial progress has been made in the restoration of a country's exchanges any special restrictions imposed on imports from that country on the ground of depreciated exchange.

(B)—ECONOMIC RESOLUTIONS.

I.—*Customs Tariffs and Restrictions.*

The conference welcomes the decision reached at Porto Rosa<sup>3</sup> by the States there assembled with regard to import and export restrictions, and invites those States to take early steps to give effect thereto.

Inasmuch as the development of normal trade with all countries is only possible where traders are in a position to ascertain some time in advance the conditions under which goods can legally be imported into and exported from each country, it is resolved that any customs restrictions and customs duties incident to importation and exportation should be regulated by the following principles:—

- (i) All customs tariffs and schedules of import restrictions should be made so far as possible applicable over substantial periods of time, and changes, both in rates of duty and in regulations, with regard to restrictions should be made as rarely as possible, the practice of frequent modification to meet special circumstances being entirely abandoned.
- (ii) Every country has the right, subject to special agreements, to prohibit absolutely the importation of goods of certain descriptions in the interests of national health, political security, national morals, or for other special purposes, or to allow the importation of specified commodities only if consigned to recognised organisations either for the purpose of giving effect to a State monopoly or for seeing that the whole importation is put to a specified use, but prohibitions framed for any such purpose should be publicly announced and as limited in extent as possible.
- (iii) Where for any reason it is desired to limit the amount of any article to be imported through ordinary trade channels, such limitation should preferably be effected by the medium of customs duties rather than by a system of prohibition modified by licences, and every country should at once examine the possibility of abandoning or reducing to the smallest possible dimensions the number of goods to which the latter system is applied, so that the general pre-war position in this regard may be attained so soon as possible, save in so far as it has been modified by general international conventions concluded since the outbreak of the war.
- (iv) Where, nevertheless, a system of prohibition accompanied by licences cannot wholly be dispensed with, licences should be granted on conditions which are publicly announced, unambiguously stated, and uniformly applicable, and these conditions should have no regard to the country of origin of the goods. Any trader should accordingly be in a position easily to estimate in advance whether and under what conditions a licence is procurable. Administration should be on the simplest lines possible, and every arrangement

<sup>3</sup> See No. 31, n. 11.

- should be made to secure that applications for licences are dealt with expeditiously by competent bodies organised for the purpose.
- (v) Similar provisions, *mutatis mutandis*, to those laid down in (iii) and (iv) should be applied in regard to any restriction of exportation which any country may find necessary for the purpose of conserving its economic resources.

With a view to securing the immediate application of these principles, it is desirable that the League of Nations should be invited to arrange for enquiry to be made through a suitable organisation into the progress made by the various States in carrying them into operation.

All the countries here assembled should keep this organisation regularly informed of all changes in customs tariffs or in the regulations relating to prohibition or restriction of imports or exports.

## II.—*Legal Guarantees for the Re-establishment of Commerce.*

(Resolution regarding submissions to arbitration under consideration.)

## III.—*Treatment of Foreigners in the Conduct of Business.*

1. Foreign firms or individuals carrying on any permitted trade, profession or occupation should be subject only to the same taxation as is borne by nationals.

The taxation of foreign companies should be based on similar principles and the system of taxation so framed and administered that branches of foreign companies carrying on permitted trades, professions and occupations in the territory of any country should not bear a greater burden of taxation in that country than do the businesses carried on in the country by native companies.

2. It is desirable that, in the matter of passport visa regulations, all countries should at once adopt and put into practice in their entirety the recommendations of the International Conference on Passports, Customs Formalities and Through Tickets, held at Paris in October 1920, under the auspices of the Provisional Committee on Communications and Transit of the League of Nations.<sup>4</sup>

(The more important of the Paris resolutions may be summarised as follows:—

- (a) The abolition of the visa for exit.
- (b) All entrance visas to be valid for one year unless limited to a shorter period for special reasons. The validity of a transit visa to be the same as the period of validity of the visa of the country of destination.
- (c) The maximum fees charged for visas to be:—
 

Entrance visa	...	...	...	10 fr. (gold).
Transit visa	...	...	...	1 fr. (gold).
- (d) The transit visa, unless for exceptional reasons (e.g., undesirables), to be issued at once without enquiry solely upon production of the

<sup>4</sup> See *L/N. O.J.*, 1920, no. 8, pp. 52–64.

entrance visa for the country of destination in addition to transit visas for the intermediate countries.)

#### IV.—*Protection of Industrial Property and Copyrights.*

It is desirable that all States that have not already done so should at once take steps to adhere to the International Convention of Paris of the 20th March, 1883,<sup>5</sup> as revised at Washington in 1911,<sup>6</sup> for the protection of industrial property, and to the International Convention of Berne of the 9th September, 1886,<sup>7</sup> revised at Berlin on the 13th November, 1908,<sup>8</sup> and completed by the additional protocol signed at Berne on the 20th March, 1914,<sup>9</sup> for the protection of literary and artistic work.

Pending such adhesion every State should, in so far as industrial, literary and artistic property is not now reciprocally protected as between itself and any other of the signatory States, give effective protection to such property on condition of reciprocity, and should further—save in so far as such rights have been or shall be dealt with by the treaties of peace with Germany, Austria, Hungary, Bulgaria and Turkey—recognise, restore and protect all rights in such property belonging to the nationals of other States which might now have been in force in its territory, except for any exceptional legislative or administrative action taken in consequence of war or revolution between the 1st August, 1914, and the present date.

#### TRANSPORT RESOLUTIONS.

1. The conference, recognising that efficient transport is the first requisite for the revival of production and trade, calls on the States to continue to devote their unremitting efforts to the restoration and improvement of the organisation of their railways, harbours and other means of communication, and recommends that where the present resources of any State appear to be inadequate to restore the equipment and structure of these undertakings, including the fuel supply, steps should be taken without delay to secure assistance, whether from the International Corporation or from other suitable sources.

2. The conference approves the Agreement for the Regulation of International Railway Traffic, signed at Porto Rosa on the 23rd November, 1921, and recommends that the principles of that agreement should immediately be applied to all the European States represented at Genoa. It requests the Council of the League of Nations to enquire into the measures already taken to carry the Porto Rosa agreement and recommendations into effect.

3. The States concerned agree that representatives of their railway administrations will attend a conference to define what further steps are necessary to restore international traffic as nearly as possible to the condition existing before the war, and agree upon recommendations to their Governments. Similar conferences shall be held in regard to water communications and harbours.

<sup>5</sup> *B.F.S.P.*, vol. 74, pp. 44–51.

<sup>7</sup> *Ibid.*, vol. 77, pp. 22–34.

<sup>9</sup> *Ibid.*, vol. 107, pp. 353–6.

<sup>6</sup> *Ibid.*, vol. 104, pp. 116–28.

<sup>8</sup> *Ibid.*, vol. 102, pp. 619–33.

The States concerned agree to give favourable consideration to the recommendations of these conferences with a view to the conclusion of conventions to give effect to them.

The conferences shall be convened immediately by the League of Nations.

4. The conference welcomes the conventions concluded at Barcelona on the 20th April, 1921,<sup>10</sup> regarding freedom of transit and the régime of navigable waterways of international concern, together with the additional protocol to the latter convention, and the recommendations relative to the international régime of railways; it calls the attention of the Council of the League of Nations to the necessity of convening at the earliest possible date the proposed conference for the preparation and conclusion of a convention on railways.

#### PRELIMINARY SKETCH FOR A DRAFT CONVENTION.

The Governments here represented, having regard to the necessity of giving immediate effect to the resolutions adopted by the conference, hereby agree as follows:—

1. The Governments signatory to this convention undertake to co-operate in the establishment and working of the Central International Corporation and the national corporations affiliated therewith, the constitution of which is scheduled to this convention.

2. Those States which desire assistance will take steps at once to make their assets available to serve as security for the assistance required through the corporation or other agencies.

3. The signatory States agree to adopt gold as their eventual monetary standard, and, with this end in view, to set on foot an international gold standard monetary convention, the essential features of which are stated in the annex to this convention.

4. They further agree to do all in their power to promote the practice of continuous co-operation among central banks, if possible through a permanent association, with a view to co-ordinating credit policy, without hampering the freedom of the several banks.

5. The signatory States are agreed that within twelve months after the depreciation of a country's currency in relation to gold has ceased and substantial progress has been made with the rectification of exchanges, they will abandon any policy of special protection against imports from that country on the ground of its abnormally depreciated exchange.

6. Those States whose representatives were signatories of the agreement relating to customs regulations and restrictions signed at Porto Rosa in November 1921 undertake, so far as they have not already done so, to adopt the recommendations of that agreement and to take steps without delay for giving effect to them.

7. Inasmuch as the development of normal trade is only possible where traders are in a position to ascertain some time in advance the conditions under which goods can legally be imported into and exported from each

<sup>10</sup> See No. 34, n. 23.

country, it is agreed that any customs restrictions and customs duties incident to importation and exportation shall be regulated by the following provisions:—

- (i) All customs tariffs and schedules of import restrictions shall be made, so far as possible, applicable over substantial periods of time, and changes, both in rates of duty and in regulations with regard to restrictions, shall be made as rarely as possible, the practice of frequent modification to meet special circumstances being entirely abandoned.
- (ii) While every country has the right, subject to special agreements, to prohibit absolutely the importation of goods of certain descriptions in the interests of national health, political security, national morals, or for other special purposes, or to allow the importation of specified commodities only if consigned to recognised organisations either for the purpose of giving effect to a State monopoly or for securing that the whole importation is put to a specified use, any prohibitions framed for any such purpose shall be publicly announced and as limited in extent as possible.
- (iii) Where for any reason it is desired to limit the amount of any article to be imported through ordinary trade channels, such limitation shall, so far as possible, be effected by the medium of customs duties rather than by a system of prohibitions modified by licences, and every country shall at once examine the possibility of abandoning or reducing to the smallest possible dimensions the number of goods to which the latter system is applied, so that the general pre-war position in this regard may be attained so soon as possible, save in so far as it has been modified by general international conventions concluded since the outbreak of the war.
- (iv) Where, nevertheless, a system of prohibition accompanied by licences cannot wholly be dispensed with, licences shall be granted on conditions which are publicly announced, unambiguously stated and uniformly applicable, and these conditions shall have no relation to the country of origin of the goods. Any trader shall accordingly be placed in a position easily to estimate in advance whether and under what conditions a licence is procurable. Administration shall be on the simplest lines possible, and every arrangement shall be made to secure that applications for licences are dealt with expeditiously by competent bodies organised for the purpose.
- (v) Similar provisions, *mutatis mutandis*, to those laid down above shall be applied in regard to any restriction of exportations which any country may find necessary for the purpose of conserving its economic resources.
- (vi) The States signatory to this convention will give all information and assistance to an appropriate international expert committee to enable that body to enquire into the progress made by the

various States in carrying the above provisions into operation, and to investigate complaints. A request shall be addressed to the League of Nations on behalf of the signatory States that the Provisional Economic and Financial Committee of the League of Nations may be authorised to act as this committee.

- (vii) This committee shall be kept regularly informed of all changes in customs tariffs or in the regulations relating to the prohibition or restriction of imports or exports, and shall be authorised to make recommendations to the States concerned as regards any changes that may be proposed. It shall publish reports of its work from time to time.

8. (Commercial arbitration.)

9. Foreign firms or individuals carrying on any permitted trade, profession or occupation within the territory of any of the States signatory of the present convention shall be subject only to the same taxation as is borne by nationals.

The taxation of foreign companies shall be based on similar principles and the system of taxation so framed and administered that branches of foreign companies carrying on permitted trades, professions and occupations in the territory of any country shall not bear a greater burden of taxation in that country than do the businesses carried on in the country by native companies.

10. Those States which have not yet done so undertake within six months from the coming into force of the present convention to adopt and put into practice the recommendations of the International Conference on Passports, Customs Formalities and Through Tickets, held at Paris in October 1920, under the auspices of the Provisional Committee on Communications and Transit of the League of Nations.

11. So far as they have not already done so, the signatory States undertake to adhere to the International Convention of Paris of the 20th March, 1883, as revised at Washington in 1911, for the protection of industrial property, and to the International Convention of Berne of the 9th September, 1886, revised at Berlin on the 13th November, 1908, and completed by the additional protocol signed at Berne on the 20th March, 1914, for the protection of literary and artistic work.

Pending such adhesion, each of the signatory States agrees that, in so far as industrial, literary and artistic property is not now reciprocally protected as between itself and any other of the signatory States, it will in all such cases give effective protection to such property on condition of reciprocity; and further that—save in so far as such rights have been or shall be dealt with by the treaties of peace with Germany, Austria, Hungary, Bulgaria and Turkey—it will upon the same condition recognise, restore and protect all rights in such property belonging to the nationals of other signatory States which might now have been in force in its territory, except for any exceptional legislative or administrative action taken in consequence of war or revolution between the 1st August, 1914, and the date of this convention.



12.—(a) Those States which have not already done so undertake within six months from the coming into force of the present convention to ratify or accede to the conventions concluded at Barcelona on the 20th April, 1921, regarding freedom of transit and the régime of navigable waterways, of international concern, together with the additional protocol to the latter convention, and to accept the recommendations relative to the international régime of railways.<sup>11</sup>

(b) Those States parties to the agreement signed at Porto Rosa on the 23rd November, 1921, for the removal of impediments to international railway traffic, who have not already ratified this agreement, undertake to do so within six months from the date of the present treaty.

The parties to the agreement undertake to afford all information and facilities to the League of Nations in enquiring into the measures already taken to carry the agreement into effect.

#### ANNEX.

##### *International Gold Standard Monetary Convention.*

1. The Governments of the participating countries declare that the restoration of an effective gold standard is their ultimate object, and they agree to carry out, as rapidly as may be in their power, the following programme:—

- (a) In order to gain effective control of its own currency, each Government must meet its annual expenditure without resorting to the creation of paper money or bank credits for the purpose.
- (b) The next step will be to determine and fix the gold value of the monetary unit. This will not necessarily be at the former gold par.
- (c) The gold value so fixed must then be made effective. The proof that this has been accomplished will be the free quotation of the national currency at par in the international exchange markets.
- (d) The maintenance of the currency at its gold value must be assured by the provision of an adequate reserve of approved assets, not necessarily gold.

2. Certain of the participating countries will be constituted gold centres and will bind themselves to maintain a free market in gold.

3. The other members of the convention, while they will not be precluded from retaining gold reserves at home, will maintain at the gold centres an adequate reserve of approved assets in the form of bank credits, bills, short-term securities or other suitable liquid resources.

4. The ordinary practice of a participating country will be to issue additional paper money only against equal additions to its reserves of approved assets at the gold centres, and to offer credits on a gold centre within a

<sup>11</sup> *Note on the original:* Accession by States not members of the League of Nations can only be made if the Council decide officially to communicate the instruments to them. It must be ascertained whether the Council has so decided, and, if necessary, the conference should move it to do so.

prescribed fraction of parity in exchange for its own paper money on demand.

5. The convention will thus be based on a gold exchange standard. The condition of continuing membership will be the maintenance of the national currency unit at the prescribed value. Failure in this respect will entail suspension of full membership.

6. The Government of each country will be responsible to the convention for maintaining the international value of its currency at par, but will be left entirely free to devise and apply the means whether through regulation of credit by central banks or otherwise.

7. In the countries selected as gold centres credit will be regulated not only with a view to maintaining the currencies at par with one another, but also with a view to preventing undue fluctuations in the purchasing power of gold. It is not contemplated, however, that the discretion of the central banks should be fettered by any definite rules framed for this purpose.

#### ENCLOSURE 2 IN NO. 44.

#### *Summary of Suggestions for Articles of Agreement to form the Basis of a (Economic and Financial) Russian Treaty.<sup>12</sup>*

##### *Recognition of Debts.*

##### *Public Debts.*

1. That the Russian Government shall accept liability for the bonds of the public debt of its predecessors issued in foreign currencies, and for such of the bonds in roubles as are held abroad.

The Russian Government shall give to the holders of bonds issued in foreign currencies new Russian bonds for arrears of interest and for interest to accrue during, say, the next five years.

If the debt is in roubles, it is proposed that it be converted at an agreed rate of roubles to the £, and be covered by the treaty in so far as the debt is held by foreigners, and was so held prior to the date of the repudiation of its debts by the Soviet Government.

2. That the Russian Government shall accept liability for meeting the debts of municipalities and public utility undertakings due to foreigners. Accumulated interest to be dealt with as in the case of the State debt.

3. That the Russian Government shall admit a liability of  
to the British Government;                      to the French Government, &c.;  
and no other claims shall be raised between Governments on the one side  
or the other.

##### *Private Debts.*

4. That the Russian Government should accept liability to pay compensation in respect of goods supplied or services rendered to Russia; and also in respect of losses of private property, debts, &c., owing to the action or negligence of the Russian Government.

<sup>12</sup> Cf. No. 40.

- (1) The basis of compensation is to be the value of the property on the 1st November, 1917; or the amount of the debts on that date less any sums of money subsequently received or set-off by the creditor prior to the date of this agreement.
- (2) At the option of the owner, claims should be met in whole or in part by restitution of the same or equivalent property, wherever possible.
- (3) Failing agreement between the owner and the Russian Government on terms of restitution the claim should be referred to the Russian Debt Commission referred to below.

Other countries would recognise a similar undertaking towards Russian citizens, but, where a Government had to discharge a liability to a Russian citizen on account of one of its own subjects, it should have the right to do this in the form of new Russian bonds at their face value discounted in respect of interest.

Difficult questions arise as to the position of persons in this and other countries who have retained control of property belonging to Russian undertakings in which they were interested and which have been nationalised. It is uncertain whether the grant of *de jure* recognition to the Soviet Government may not enable that Government to require the property of the undertakings to be handed over to them, and consideration is being given to the method by which the interests of the British subjects affected may be protected.

#### *Debt Commission and Mixed Arbitral Tribunals.*

5. That claims for compensation under 4, and any disputes arising under 1 and 2 should be adjudicated upon by mixed arbitral tribunals (one for each State) with impartial chairmen.

A Russian debt commission composed of, say, five Russian representatives and an equal number of representatives of other countries, with an impartial chairman, should be appointed to set up the arbitral tribunals and co-ordinate their operations. The commission should also deal with all questions arising out of the conversion of accepted claims into new Russian bonds, and any other questions connected with them.

#### *Compensation Bonds.*

6. That new Russian bonds expressed in sterling, francs, &c., should be issued for the purpose of compensation. Bonds given in respect of any allowed claim should cover the amount of the claim, as fixed by the arbitral tribunal, or agreed or otherwise provided for, with funded interest from November 1917 until five years from the present date. All accepted claims should rank equally. Bonds should be subject to redemption to be fixed by the Russian Debt Commission.

(It will probably not be feasible to secure cash payments—at any rate to any large extent—in respect of the claims against Russia during the first five years or so.)

*Restoration of Foreign Ecclesiastical and Charitable Property, &c.*

7. A clause dealing with the restoration of property in British churches, cemeteries, &c.

*Trading and Other Facilities.*

8. Provision for consular conventions.

9. Provisions relating to the right of entry and egress of foreigners, communications, facilities for their trading operations, personal protection, and protection from special taxation and from requisition of their goods.

10. Trading and other facilities for foreign joint stock companies.

11. Foreign companies and individuals carrying on trade in Russia to be placed in the same position in relation to taxation as nationals or trading companies composed of Russian nationals.

12. The adhesion of Russia to a number of international conventions.

13. Agreement relating to the early conclusion of commercial treaties.

14. Mutual recognition of citizenship and kindred matters.

**No. 45**

*Sir A. Young (Belgrade) to the Marquess Curzon of Kedleston*  
(Received March 20)

No. 127 [C 4078/458/62]

BELGRADE, *March 16, 1922*

My Lord

The conference of experts of the four States of the Quadruple Entente<sup>1</sup> has come and gone and I think I need hardly take up time in reporting to Your Lordship the communiqués and interviews which were published in the Press, as these were as colourless as we have every reason to believe were the séances of the experts themselves.

The important thing is that these States felt it was necessary to establish a defence not only against any breach of the stipulations made by Monsieur Poincaré restricting the scope of the Conference of Genoa, but against any attempts of the Greater Powers to impose in the prosecution of their remedial measures any sort of control or other obligation lessening the sovereign rights of the small States, or at any rate lessening them in a measure not applicable to all Powers alike, e.g. any control over international communications, over currencies, over banking operations. It has been feared that it may be proposed to afford financial credits through the instrumentality of the Banks in Vienna and Budapest. I have never ceased to report since my arrival here that this country resists to the utmost any financial or commercial schemes which centred in either of those two capitals would seek to operate on a scale of any magnitude in this country, and if I am not misinformed this spirit has found new force in the recent meetings of the

<sup>1</sup> See No. 36, n. 4.

delegates of the Succession States. The fear that Great Britain and France may be influenced by the aristocrats from Austria or particularly from Hungary is still keen. It was much in the above sense that Mr. Ninčić declared himself to the Vienna correspondent of the 'Times' who has been in Belgrade. To me Mr. Ninčić has recognised that not much practical advantage had been expected from a discussion of the economic difficulties under which the four States suffer, but the result achieved was a demonstration of the solidarity of the front which would be formed at Genoa against proposals affecting the independence of those States.

The problem therefore will be to reconcile schemes of financial betterment and the securities necessary thereto with these susceptibilities of the beneficiaries.

Not much hope seems to be built on the forthcoming Conference. Mr. Kumanudi<sup>2</sup> on Tuesday, when talking of the American financiers' proposals for the construction of the Adriatic Railway, expressed regret that he had failed in raising the appropriate loan in London.<sup>3</sup> I asked him why before proceeding further in the matter he did not wait to see the results of the Genoa Conference: they might be such as to restore confidence on the part of London financiers. If for instance this International Corporation we hear talked about were to take in hand the restoration of existing means of communication, the field would be clearer for discerning the advantages of new construction. Mr. Kumanudi spoke scornfully of the Genoa Conference and of the International Corporation which seemed to ask for money from the countries to be helped instead of granting it. He said that Roumania, Jugoslavia and Greece had all applied for loans in London and had all failed and that it looked as though Czechoslovakia might fail as well. How was the Genoa Conference going to change those conditions?

I think most hopes for success are concentrated on the crystallization of the reparations prospects; to know exactly what amount of liquid money can be expected and mobilised for immediate purposes.

A farewell banquet was given by the Minister for Foreign Affairs to the Delegates on Sunday evening March 12. The Ministers of Great Britain, France and Italy were the only persons outside the members of the conference who were invited to attend. The speeches were not formal and doubtless out of consideration for our presence nothing was said that was not agreeable for us to hear. The Czechoslovak Minister was however the only speaker to pay as much tribute to the Great Powers as to the segregated Four.

I think the message of the Havas agency to 'Le Temps' of March 14 gives

<sup>2</sup> M. K. Kumanudi was Minister of Finance in the Pašić Government at Belgrade.

<sup>3</sup> In telegram No. 7 of January 24, 1922, to Sir A. Young at Belgrade, Lord Curzon stated that the Trade Facilities Act Advisory Committee were 'unwilling to encourage further the scheme for a new railway' and desired to let the matter drop as the Serbian government were 'apparently unwilling even to find money for local expenditure'. He added: 'But they are still ready to consider an application for a guarantee for sum to be expended on materials for the rehabilitation of existing lines.' The correspondence concerning this matter will be found on file C 84/92.

the best version of the published accounts of the results of the Conference, and I enclose copies<sup>4</sup> for facility of reference.

I also enclose a translation of a communiqué<sup>4</sup> of the results of the Bucharest meeting, which was by agreement to be published in the four capitals on March 15.

As regards the attitude of the four States towards the Soviet, I can get no clear statement. Mr. Velizar Jancovic,<sup>5</sup> who presided over the conference, in his opening address laid down as one of the principles of the conference 'That the attitude of the Quadruple Entente would be one of expectancy, awaiting the development of events'. I am told that much information unfavourable to the Soviets is being collected here, possibly with the view of confronting the Soviet representative with an arraignment if occasion offered. But this is merely hypothesis.

With regard to the story which appeared in the 'Matin' that Poland would not consent to take part with the Little Entente unless Yugoslavia entered into an agreement with Roumania to come to her support if attacked by the Soviets, the Polish Minister here says he knows nothing of it.

The papers here had news that the Prime Ministers and Foreign Ministers of the Quadruple Entente would all meet at Belgrade and proceed to Genoa together. It is I believe under discussion whether they should not meet at Genoa on April 5, but as one of the Serbian Ministers here observed, when one is invited to a party it is not polite to arrive before the time fixed by the host.

I have &c.

ALBAN YOUNG

<sup>4</sup> Not printed.

<sup>5</sup> Head of the political section of the Ministry of Foreign Affairs.

## No. 46

*M. Berzin to the Marquess Curzon of Kedleston (Received March 17)*

[N 2548/646/38]

LONDON, March 16, 1922

M. Berzin, assistant official agent of the Russian Soviet Government in Great Britain, presents his compliments to the Marquess Curzon of Kedleston, and begs to enclose herewith copy of a note<sup>1</sup> received this morning from the Russian Government for transmission to the British Government.

<sup>1</sup> This Note was addressed also to the French and Italian Governments. It was published in 'Le Journal' and 'Le Temps' of March 18. An English translation was printed in Cmd. 1637, Miscellaneous No. 2 (1922), where it is stated that the note was communicated on March 21. (This English text is reproduced by Degras, vol. i, pp. 293-6, without the annex, which is given at No. 58, below.)

MOSCOW, 15 Mars, 1922

Le Gouvernement russe a accueilli avec une profonde satisfaction la convocation de la Conférence de Gênes, car il voyait dans ce fait la preuve que les grandes Puissances avaient enfin compris à quel point le blocus politique et économique de la Russie était non seulement inutile, mais nuisible, et s'étaient convaincues de la nécessité de rétablir avec elle des relations normales pour affermir la paix générale et créer une base solide au progrès économique de tous les États. La convocation d'une conférence à laquelle participerait la Russie a été comprise par l'opinion publique d'Europe et d'Amérique comme la renonciation définitive à cette politique de boycottage qui prétend isoler et couper du reste du monde un pays occupant un sixième du globe terrestre, possédant environ 150,000,000 d'habitants et détenant des richesses naturelles inestimables, politique qui n'avait abouti qu'à redoubler la ruine universelle et les misères de tous les États et de tous les peuples. Cette tentative d'entente entre tous les Gouvernements européens, y compris la Russie, pour travailler en commun à la restauration économique était considérée comme le début de la collaboration future imposée à tous les États par la nécessité de relever leur économie détruite. Le Gouvernement russe, sans se dissimuler les différences fondamentales existant entre le régime politique et économique des républiques soviétistes et celui des États bourgeois, croit, cependant, absolument possible un accord visant à une collaboration fructueuse des uns et des autres dans le domaine économique. Mais en complète concordance avec une certaine partie de l'opinion publique européenne il pense que la Conférence de Gênes doit se distinguer radicalement des conférences européennes précédentes, qu'il ne doit y être fait aucune différence entre vainqueurs et vaincus, entre grands et petits États, entre Gouvernements soviétistes ou bourgeois, et qu'au contraire, tous les participants devront sur un pied d'égalité s'entendre à cette conférence pour travailler collectivement à la renaissance économique universelle. À son profond regret, le Gouvernement russe constate que la conduite des grandes Puissances avant la conférence fait redouter qu'une partie des États invités ne se trouve placée devant les décisions arrêtées et formulées d'avance d'un certain groupe de Gouvernements. Au lieu d'un libre échange de vues, la Russie est menacée d'une nouvelle forme de boycottage. Toute la presse occidentale est pleine d'informations sur les pourparlers poursuivis entre des Gouvernements de la grande et de la petite Entente pour leur permettre de se présenter à la conférence avec ces décisions toutes faites envers la Russie. Dans ces conditions, la conférence ne ferait qu'enregistrer les volontés déterminées d'avance d'un certain bloc de Gouvernements. Cette tactique adoptée par la grande et la petite Entente conduit en fait à rendre impossible la conférence dans sa forme primitive. S'il est vrai, comme l'annonce la presse, que ce bloc de Gouvernements a l'intention de présenter des projets incompatibles avec les droits souverains du Gouvernement russe et avec

l'indépendance de l'État russe, dans ce cas il faudra constater que le bannissement du principe d'égalité et de libre échange de vues entre tous les participants de la conférence aura pour résultat inévitable son échec. En même temps, le Gouvernement russe ne peut s'empêcher de remarquer qu'une partie de la presse occidentale, évidemment inspirée par les milieux officiels, a repris et mené avec un acharnement extrême une campagne de mensonges et de calomnies contre les républiques soviétistes. Chaque jour sont répétées dans cette presse des affirmations mensongères, d'après lesquelles le Gouvernement soviétiste ne serait pas sincère dans son intention d'entrer en rapports avec les États étrangers et comme quoi la conférence ne serait destinée qu'à servir aux délégués soviétistes de simple tribune pour la propagande communiste. Cette presse publie des documents faux tendant à montrer que le Gouvernement russe consacrerait des crédits énormes en or à démoraliser les armées alliées et que la nouvelle politique intérieure de ce Gouvernement serait une comédie visant à séduire le capital étranger. Des bruits sciemment mensongers sont publiés sur l'état intérieur de la Russie et sur de prétendues insurrections dans telles et telles provinces, inventions fantastiques poursuivant le but évident de répandre l'idée de la chute prochaine du pouvoir des soviets, lequel serait soi-disant par suite de son impuissance hors d'état de repousser les conditions quelles qu'elles soient que voudront lui dicter à Gênes les grandes Puissances. En outre, le Gouvernement russe a en sa possession des preuves irréfutables de la formation de bandes hostiles sur les territoires des États voisins. Contre la Russie soviétiste se confluent de nouvelles alliances militaires, et la conférence elle-même, dans ces conditions, peut devenir le point de départ d'une nouvelle intervention militaire déclarée ou masquée sur le territoire russe. La campagne de calomnies systématiquement menée par une fraction considérable de la presse occidentale dans l'intention manifeste de faire échouer la Conférence de Gênes oblige le Gouvernement russe à appeler l'attention des Gouvernements occidentaux sur la nécessité de mettre fin aux mensonges actuellement répandus sur la Russie soviétiste. La ligne de conduite du Gouvernement russe à la Conférence de Gênes sera déterminée par sa volonté de diriger tous ses efforts vers la restauration économique de la Russie et la participation de la Russie à la restauration économique du monde entier. En présence des informations fausses propagées par la presse hostile des différents pays sur la situation de la République russe et la politique intérieure de son Gouvernement, ce dernier estime nécessaire de déclarer que le facteur essentiel de cette politique est le désir de créer en Russie des conditions favorables au développement de l'initiative privée dans le domaine de l'industrie, de l'agriculture, des transports et du commerce. Le renforcement de son autorité, la défaite de ses ennemis extérieurs et de la contre-révolution intérieure ont permis au Gouvernement soviétiste d'étendre les droits accordés aux individus en matière de propriété et d'activité économique en rétrécissant sensiblement les droits jadis remis aux organes administratifs pendant la période de guerre. Plusieurs décrets et dispositions législatives garantissent la liberté de travail et de déplacement et le secret de la corre-



spondance privée. Tous les crimes, non seulement de droit commun mais aussi politiques, sont remis aux tribunaux ordinaires. La procédure extraordinaire est abolie ainsi que les commissions extraordinaires, autrefois rendues nécessaires par la lutte pour l'existence du pouvoir des soviets. Les intérêts et les droits de propriété des étrangers en Russie sont suffisamment garantis par la législation soviétiste actuelle. Une loi spéciale prévoit en faveur des concessionnaires les garanties juridiques nécessaires. L'aliénation au profit de l'État ne peut être prononcée que pour les mêmes raisons admises dans tous les codes civils avec remboursement des biens réquisitionnés dans le délai d'un mois au prix moyen du marché. Des décrets spéciaux garantissent la liberté du commerce privé intérieur, tout en conservant à l'État le monopole du commerce extérieur, et dans ce dernier domaine même des conventions spéciales autorisent la participation du capital privé. Le décret limitant la quantité de valeurs et de signes monétaires que peut posséder un citoyen a été aboli. Un décret garantit la libre possession et circulation des métaux précieux et de la monnaie d'or. De même, la constitution de sociétés anonymes commerciales ou de crédit est réglementée conformément aux principes adoptés par tous les codes civils. La question des lettres de change est réglée en conformité avec la convention de La Haye du 23 juillet 1912.<sup>2</sup> Le Conseil des Commissaires du Peuple a approuvé et présenté à la confirmation du Comité central exécutif un code civil systématisant les divers décrets et décisions concernant les citoyens russes ou étrangers, ainsi qu'un décret sur les accusateurs publics et les défenseurs permettant de contrôler la stricte application des lois. Le Gouvernement russe a l'intention de faire connaître par une suite de mémorandums aux Gouvernements étrangers les nouvelles dispositions juridiques de la Russie ainsi que ses perspectives de développement économique. Il faut noter que les mesures juridiques et économiques citées s'étendent aux autres républiques soviétistes unies à la Russie par une étroite alliance militaire et économique. Les Gouvernements soviétistes se rendront à la Conférence de Gênes avec la ferme intention d'entrer en collaboration économique étroite avec tous les États qui se garantiront réciproquement l'inviolabilité de leur organisation intérieure, politique et économique, conformément à l'article 1<sup>er</sup> des conditions de Cannes. Le Gouvernement russe, de son côté, est en droit d'espérer que tous les participants à la conférence seront placés dans des conditions garantissant leur libre participation à la solution des problèmes à l'ordre du jour.<sup>3</sup>

Le Commissaire du Peuple pour les  
Affaires étrangères,  
TCHITCHERINE

<sup>2</sup> See Cd. 6680, Commercial No. 1 (1913), no. 7.

<sup>3</sup> Commander Maxse, of the Northern Department of the Foreign Office, minuted on March 20: 'This new effusion is of interest both for what it contains and for what it does not contain. To take the latter first—it contains no reference either to the Cannes resolutions (except an indirect reference to the first regarding the liberty of States to arrange their internal economy without interference by their neighbours) or to debts. As might have been expected the French press has seized upon these omissions and is openly stating that the

French delegation cannot proceed until these points are cleared up. In view of the Prime Minister's strong warning to Krassin that the Soviet Government would be well advised to make some reassuring statement on these points, the omission is ominous.

'For the rest the Soviet promises for facilities to foreign enterprise are fairly satisfactory *on paper*: but even granted good will and an intention to honour their promises, the Soviet Government will find it very difficult to translate the paper provisions into efficient practice. I am inclined to think that the Soviet Government still hopes to entice foreign capital into Russia without having to pay the price, and the conditions offered in this note may well be designed to attract the private speculative capitalist in sufficient quantities to render an agreement with the Government or the corporation unnecessary.'

Earlier in March the Foreign Office had received from Commander Kenworthy (M.P. for Hull, Central), a document (N 2350/646/38) purporting to be a Russian programme for the Conference of Genoa. The English translation was as follows: 'The following programme shall be adopted:

#### I.—LIQUIDATION OF OLD ACCOUNTS

1. Debts—war time, pre-war, railway, municipal and mortgage.
2. Liabilities, resulting from the nationalisation, confiscation and requisition of the property of foreign subjects and States.
3. Claims of Russia and Germany under the Versailles Treaty and in connection with the liquidation of the Brest-Litovsk Treaty.
4. Counter-claims by Russia.

#### II.—RE-ESTABLISHMENT OF RUSSIA AS AN ESSENTIAL PART OF WORLD ECONOMICS

1. Forms of financing the re-establishment of transport facilities (lease of railways, their sale, mixed organisation, special Government loans on the railways).
2. Financing the re-establishment of the State industry (the same opportunities).
3. Financing private undertakings and co-operative enterprises in Russia (the placing of special credits at the disposal of Russian credit establishments, foreign banks in Russia).
4. Assistance in the re-establishment of currency circulation (credits to meet deficits, foreign issuing bank with or without monopoly).
5. Financing of Russian foreign trade (short-term and long-term credit).
6. Custom-house taxation on external trade.
7. Taxation of foreign subjects in Russia.
8. Organisation of international accounts (free exchange of currency, control, monopoly).
9. Financing the re-establishment of agriculture (State farming, co-operation, short-term and long-term credit).
10. Financing famine relief.

'In execution of the programme, the following parties shall be commissioned to work out the details of the separate subjects:

1. Professor Z. S. Katzenellenbaum:
  - (a) Organisation of international accounts of Russia with foreign States. Free circulation of currency, controlled exchange transactions and monopoly.
  - (b) Project for the promotion of an international loan for Russia. (Principal conditions.)
2. Professor N. D. Silin: *Re* relations between the Government authority and the issuing banking establishment, and, in particular, a foreign issuing bank for Russia (a bank with or without a monopoly, of mixed kind). Proposals of Western European scientists, plan for the organisation of an issuing establishment (a foreign one especially), the question as to guarantees.
3. Professor A. A. Sokolof: On measures for liquidating the disorganised paper currency and for a change to a regulated currency system.

4. Professor L. S. Elianssen :
    - (a) On the establishment of a steady internal monetary unit suiting the purposes of international accounts settlement.
    - (b) On parallel (paper money) units of currency.
  5. S. V. Voronin: On the organisation of international credit for Russia and on measures for the re-establishment of the foreign credit
    - (a) Forms of treaties and agreements for loans with an international guaranty.
    - (b) Administration (control) of separate sources of revenue set aside for the repayment of the loans.
  6. A. G. Orlof: Reviews of Government measures for restoring to a sound basis the budget and State economics in general (taxes, tariffs, accounts unit, reorganisation of the financial administration, struggle with a state of deficits, a solid budget, &c.). Results secured and prospects.
  7. S. A. Golovanof: On measures for adjusting the Russian Government budget.
  8. S. T. Kistenef: On the issues made by anti-Bolshevik Governments. Amount and valuation.
  9. N. N. Kutler: On the re-establishment of Russian industry (state of the industry; plan and order of the re-establishment; forms of investment of foreign capital).
  10. Professor A. E. Worms: On the allocation of the Russian Government debt between the Russian Socialist Federated Soviet Republic and the Border States.
  11. V. I. Rudkovsky: On the re-establishment of railway transport (particularly as to the manner in which foreign capital is to participate in railway management).
  12. Professor N. K. Starinkevitch: On the re-establishment of railway transport (condition of the network; order of the re-establishment; forms of credit; reconstruction plan in conjunction with the general work towards the economic rebirth of the country).
  13. Professor N. N. Liubimof: On accounts with Germany and the Entente countries (*re* Brest Treaty).
  14. K. J. Zagorsky: On the sharing of Russia in the Versailles Treaty (London Pact). Financial estimate and reasons.
  15. Professor A. E. Worms: On the legal aspect of Government loans. (State bankruptcy).
  16. Professor N. N. Shaposhnikof: On the financing of Russian foreign trade in conjunction with the attraction of foreign capital to different branches of Russian industry.
  17. Professor N. A. Shaposhnikof: On the organisation of customs duties.
  18. E. S. Lurie: Financing of and providing credits for famine relief.
  19. P. N. Genzel: Financing of agricultural reconstruction (Agricultural Bank, &c.).
  20. N. N. Derevenko: An estimate of the value of the territories leased from Russia (Bessarabia, part of the province of Minsk, and others east of the Curzon line).
  21. Tikhotsky: Desirable forms of organising railway credits.
- 'Having exchanged views, it was resolved to distribute the under-mentioned subjects between the following parties:

#### I.—LIQUIDATION OF OLD ACCOUNTS

1. Professor M. I. Friedman, G. S. Kasperovitch, S. K. Bellgard: Materials on the indebtedness of Russia (pre-war and war debts) to England, France, United States of North America, Italy, Finland and Japan.
2. P. V. Oll: Estimate of the external indebtedness.
3. V. V. Kelvetykh: Railway debts.
4. V. V. Kelvetykh: Financing of railway transport by foreign capital.

#### II.—THE RE-ESTABLISHMENT OF RUSSIA AS AN ESSENTIAL FACTOR IN WORLD ECONOMICS

5. Professor V. I. Sharryi: Order of Russian industrial reconstruction.
6. Professor V. V. Maximof: Regarding a co-operative bank.
7. V. V. Tarnovsky: On the relations between the Government authority and an issuing bank establishment.

8. P. V. Oll: Objections to the granting of the issuing bank concession to a syndicate of international bankers.
9. V. V. Tarnovsky: On the creation of an internal steady monetary unit, suitable for the purposes of foreign settlements.
10. R. A. Goldberg: On a free money market.
11. Professor V. N. Stein: Parallel circulation, and forms of its realisation in Russia.
12. Professor I. M. Kulisher: Trade treaties.
13. Professor A. L. Rafalovitch: Financing Russian external trade. Short and long-term credits.
14. Professor A. I. Bukovetsky: Export bank.
15. K. P. Lazaref: Financing and storage operations for the grain trade and any merchandise.
16. V. V. Tarnovsky: Export and import companies.
17. I. M. Kulisher: Free ports and porto-franco [? free trade].
18. Professor S. V. Siegrist: Financing of trade with the Near East.
19. Professor A. L. Rafalovitch: Custom-house tax on external trade.
20. Professor A. I. Bukovetsky: Financing agricultural reconstruction.
21. K. P. Lazaref: Financing harbour constructions.
22. Professor V. V. Stepanof: Financing reconstruction of towns.
23. S. F. Weber: Measures for the adjustment of the State budget.
24. K. P. Lazaref: The granting of concessions to railways.'

On March 8, Commander Maxse minuted: 'The first impression derived from this document (which has every appearance of being genuine) is that the Soviet Government is prepared to swallow a great deal more than appeared probable at one time. Surrender upon points which we have been told that it was impossible for it to yield, is at least envisaged. In particular I would call attention to the preparations that are being made in connection with:

- (a) all kinds of debts and claims.
- (b) leasing, or even sale of railways and participation of foreign capital in the *management*.
- (c) creation of a foreign bank of issue possibly with a monopoly—though the objections to this course are also being considered.
- (d) control of separate sources of revenue for repayment of loans.
- (e) issues of money made by anti-Bolshevik governments.
- (f) valuation of Bessarabia and other lost Russian territories east of the Curzon line.
- (g) free ports.

'Of course the points on which we expect difficulties are being prepared—notably the questions of article 116 of the Treaty of Versailles, Constantinople, and claims for intervention, and this document does not take us any further on these points.

'The practical considerations which arise may, I think, be summarised as follows:

(1) Our draft proposals should in the first place be as strong as we can reasonably make them, and any allowances we may be prepared to make to meet the Russian point of view should be held in strict reserve, *but*,

(2) we should still be careful to avoid asking conditions which would enable the Soviet Government, in refusing, to pose as the defender of Holy Russia,

(3) that the Soviet Government are at the moment prepared to go to very considerable lengths to secure Western economic support, and that we should if possible take advantage of this, since, if it weathers the famine with the aid of foreign relief, it may not be so amenable later on.' Mr. Gregory added: 'This document was given by [Commander] Kenworthy to Mr. Harmsworth without, so far as I know, any indication as to its source or genuineness. But the Poles, so I gather, have got a similar document, though I have not seen it, which was procured by fair means or foul from Radek. If this does not represent accurately the Soviet programme, it is probably near enough.'

*Sir H. Dering (Bucharest) to the Marquess Curzon of Kedleston*  
(Received March 27)

No. 171 [C 4472/458/62]

BUCHAREST, March 17, 1922

My Lord,

With reference to my despatch No. 151 of the 15th instant,<sup>1</sup> reporting the conclusions arrived at by the experts of the Little Entente and Poland<sup>2</sup> at

<sup>1</sup> Not printed (see No. 36, n. 4).

<sup>2</sup> Poland later sent a delegate to meet the delegates of Esthonia, Latvia, and the Russian Soviet Republic at Riga on March 29–30, 1922. The final protocol (in translation) ran as follows:

‘After an examination of the questions concerning (a) the reconstruction of economic life in Eastern Europe, (b) the resumption of commercial relations between the countries represented, and (c) the consolidation of peace in Eastern Europe, the Riga meeting has drawn up the following declarations.

(a) The delegates of Esthonia, Latvia, Poland and the Russian Soviet Republic, assembled at Riga on the 30th March, 1922, after examination of certain economic questions of common interest to their countries, have agreed that it would be desirable to co-ordinate the action of their representatives at the Genoa International Conference as regards these questions. Starting from the principle of respect for the political and economic sovereignty of their States and of the necessity of having recourse to foreign loans for the reconstruction of the economic life of Eastern Europe, the above-mentioned delegates are of opinion that it is important to endeavour to grant full liberty to arrive at financial and economic agreements either with particular States or with financial corporations or private financiers. The delegates of the Governments represented at the meeting having declared that they are ready to fulfil strictly all the obligations undertaken by their respective Governments, and being of opinion that it would be useful to guarantee mutually the Treaties of Peace concluded between Esthonia and Russia [in] February 1920, between Latvia and Russia on August 11th 1920, and between Poland and Russia, Ukraine and White Ruthenia on March 20th, 1921, the delegates of Esthonia, Latvia and Poland express the opinion that it would be fitting, in view of the work of economic reconstruction in Eastern Europe, to recognise *de jure* the Soviet Government of Russia.

(b) The Delegates of Esthonia, Latvia and Poland and the Russian Soviet Republic, assembled at Riga on March 30th, 1922, express the opinion that it would facilitate the resumption of commercial relations between the countries represented at the said gathering (1) to grant the right of entry and to facilitate the liberty of movement in the respective States to citizens of these countries proceeding abroad on commercial business; (2) to facilitate railway communication between the countries represented at the meeting and particularly to establish direct traffic for goods proceeding to these countries; (3) to engage in commercial transactions, with the assistance of credit either on the security of the goods warehoused abroad or on adequate guarantees afforded by the banks of the countries concerned, and also to facilitate the foundation of mixed companies whose object would be to meet the special needs of the economic life of these countries; (4) to propose to the central banking establishments of their countries to enter into close and direct financial relations with the similar institutions of the other States represented at the meeting.

(c) The delegates of Esthonia, Latvia, Poland and the Russian Soviet Republic, assembled at Riga on the 30th March, 1922, solemnly confirm their sincere desire for universal peace, and their decision to live on good terms and to decide questions at issue by peaceful means. To this end they will support wholeheartedly the principle of the limitation of armaments by all countries. They recognise that to guarantee peace it is essential that the

their preliminary meeting at Belgrade, I asked the Minister for Foreign Affairs today whether he was satisfied with what these had agreed upon. M. Duca replied that he was glad to learn that harmony had prevailed, and that they had all agreed in their conclusions. He had only just received the chief Roumanian delegate's report, and had not yet read it, but when he had done so he would come and tell me of its contents more fully.

The agreement arrived at did not amount to much in itself, except that their interests were recognised to be identical and that they could act in unison at the Genoa Conference. Here one of their chief aims would be to assist in devising measures to stabilize the exchange, a question which was the preoccupation of all Europe. The means of improving transport conditions had also to be concerted. This was an important matter to all the Little Entente Powers. The conclusions of Belgrade, as I knew, had been communicated to the Press here, and in the three other capitals as well.

Roumania wished particularly to ask at Genoa that she should receive her share of reparations and be paid what was owing to her. This would go some length in setting her finances at once on a better footing. The Roumanian Government desired also to raise the question of the Treasure which she had sent to Moscow, and which the Soviet Government had appropriated.<sup>3</sup> I observed that assurances respecting this would have to be got from the Soviet representatives, if any went to Genoa. M. Duca said this was unfortunately what seemed to be problematical, and asked if I thought Messrs Lenin and Company really meant to attend the Conference, in view of Chicherine's latest impertinent message to the Powers.<sup>4</sup> He said the Soviet Government seemed to claim the right to attend the preliminary financial meeting of the Great Powers, as a condition of going to Genoa, which he thought Great Britain for one would hardly admit. I replied that the Bolsheviks might just as well have claimed also to attend the preliminary conferences at Belgrade, and of the Baltic States. I thought however that they would be found at Genoa when the time came, notwithstanding all their demands for personal guarantees and for transport by warships. It must be recollected that the traditional policy of Russians is never to con-

frontiers of States must be guarded exclusively by regular troops or by Government frontier guards. To the same end they consider indispensable the establishment along the frontiers of zones in which armed forces will only be admitted in very small and equal numbers by the two neighbouring States. The width of these zones and the number of troops allowed in them will be settled by special agreements between the States. At the same time the delegates of the above-mentioned States declare that the concentration of hostile forces in the proximity of their frontiers, and raids by these forces in the territory of the neighbouring State, constitute a menace to peace, and they recognise that each Government is responsible for the formation on its territory of armed bands and for the passage of these bands into the territory of a neighbouring State.

'The delegates express the opinion that it would be well that the parties represented at the meeting should elaborate at Genoa detailed schemes with the object of putting the above-mentioned principles into practice.'

<sup>3</sup> Treasure from the Roumanian National Bank, together with jewels belonging to Queen Marie of Roumania, had been evacuated to Moscow in December, 1916.

<sup>4</sup> See No. 46.

cede anything without asking something in return, and moreover, to ask for more than they expect to get.

I also remarked that I thought they would have more to lose than to gain by staying away from Genoa. After all, the fundamental desire of the Soviet Government in sending representatives there was probably that of securing in some measure recognition of their existence as a stable administration, and by that means eventually obtaining the sanction of at all events some Powers to the establishment of Soviet representation, diplomatic or otherwise, in their capitals. M. Duca and I agreed that the experiences in this direction of Germany, Czecho-Slovakia and Poland could not be held to be encouraging, considering that the Soviet agencies there had been extensively used for propaganda purposes. The Minister for Foreign Affairs quoted the astonishment expressed by a friend of his that while the Soviet Government were on the one hand exporting gold in large quantities and ordering munitions of war on an extensive scale from various countries, they were on the other hand clamouring through Dr Nansen for all countries, including poverty-stricken Roumania, to give them financial help to save their starving nationals.

Referring to M. Duca's statement that the four Powers whose representatives had met at Belgrade could act together at Genoa, I thought it useful to observe that there seemed to be no reason for much divergence of opinions between the majority of Powers there to be represented, and that the Great Powers and Petite Entente, as Allies, should see eye to eye. Speaking personally, I said it would be a fatal mistake for Roumania to listen to any 'agent provocateur' in Bucharest or elsewhere, who for his own purposes of rendering himself and his country of greater importance than others, might urge her to countenance any action tending to separate the interests of Poland and the Petite Entente from those of the Great Powers; and I trusted that M. Ion Bratianu,<sup>5</sup> if he were going to Genoa as Roumania's chief delegate, would bear this in mind and not allow any rash and self-seeking counsels by others to influence him. He might repeat what I said to the Prime Minister, for it was meant in the friendliest spirit and because I had reason to believe that there was a tendency in the above direction in a certain quarter here, which should be nameless. That tendency resulted from a swelled head. M. Duca nodded intelligence, and thanked me for the hint. I added that I felt sure that M. Bratianu would be welcome at the Genoa Conference, if he were able to go, as the representative of a country which had suffered much, and was now making brave efforts to consolidate its finances and co-operate in the regeneration of Europe.

It is, I fancy, practically decided that the Prime Minister will attend the Genoa Conference. I spoke as I did in order to prevent him from proceeding there with any feeling that his petulant and unfortunate attitude at the Paris Conference will be remembered against him. He has, or should have learnt much in his years of retirement since that date. In any case I should judge from his own words that he wishes to be on good terms with Great

<sup>5</sup> M. Ioan I. C. Bratianu (Bratiano), Prime Minister of Roumania.

Britain, so I hope that this sombre, reserved man will meet with due consideration from his British colleagues of the Conference, and will not be judged only by his previous appearance at an international gathering. He gains distinctly on better acquaintance.

I have, etc.

HERBERT G. DERING

No. 48

*Letter from the Marquess Curzon of Kedleston to the French Ambassador*

[N 2547/2458/38]\*

FOREIGN OFFICE, March 18, 1922

Your Excellency,

I have the honour to acknowledge the receipt of the note which your Excellency addressed to Sir William Tyrrell on the 15th March,<sup>1</sup> enquiring whether His Majesty's Government shared the views of the French Government in regard to the discussion of existing treaties at the Genoa Conference.

2. His Majesty's Government agree that the Genoa Conference will have no right to discuss the four treaties of peace with Germany, Austria, Hungary and Bulgaria. Your Excellency's phrase, 'ne touchera à aucune des stipulations,' will apparently rule out discussion of any possible claim to reparations which Russia might possess under article 116 of the Treaty of Versailles, and I should be glad if your Excellency would be good enough to inform me if that is indeed the wish of your Government.

3. His Majesty's Government agree that the treaties of Bucharest<sup>2</sup> and Brest-Litovsk<sup>3</sup> were declared null and void by the treaties of peace concluded with the ex-enemy countries.

4. With regard to the treaties of peace concluded by Soviet Russia with Poland, Finland and the Baltic States,<sup>4</sup> His Majesty's Government agree that it is not incumbent upon the other Powers represented at Genoa either to recognise them or to deny their validity. Your Excellency's note would appear to indicate that, while not disapproving the territorial settlements effected therein, the French Government take serious objection to certain of the economic and financial clauses in these treaties.

5. While they agree generally with the theory underlying your Excellency's remarks on the assumption of a share of the debt of a former Empire by its succession States, His Majesty's Government are inclined to question whether it is feasible, in all the peculiar circumstances of the Russian situation, to make Poland and the Baltic States assume liability for a proportionate share of the enormous debt of the Soviet Government. In particular, I should like to call your Excellency's attention to the following considerations:—

- (1) While it is true that by article 21 of the treaty with Poland signed at Versailles on the 28th June, 1919,<sup>5</sup> Poland recognised her liability to

<sup>1</sup> Not printed.

<sup>2</sup> See No. 34, n. 25.

<sup>3</sup> See No. 34, n. 26.

<sup>4</sup> See No. 34, n. 27.

<sup>5</sup> See *B.F.S.P.*, vol. 112, pp. 232-43.



assume a share of the Russian debt, no such conditions were imposed upon Finland, Esthonia and Latvia when these countries were accorded *de jure* recognition.

- (2) The Russian Soviet Government has absolved these countries from a share in the Russian National Debt, and to attempt to reverse this arrangement would almost inevitably disturb the *status quo* in Eastern Europe, as it would offer a legitimate opportunity to the Soviet Government to denounce these treaties either in their entirety or else in part, specifying the clauses which are of greatest interest to the border States.
- (3) If such a demand were in practice presented to Poland and the border States, it is almost inevitable that these countries, with the possible exception of Finland, would demand a share in German reparations, since it was precisely upon their territories that most of the material damage in the eastern theatre of war was inflicted. This would lead to a reopening of the whole reparation question upon a new basis—a prospect which His Majesty's Government cannot but regard with some alarm.
- (4) In the present weak financial state of Poland and the border States, the imposition on them of this new and heavy burden, when their resources will not allow them to budget even for the interest of the debts so to be assigned to them, could not but create fresh economic depression and increase the area and intensity of the economic *malaise* from which Eastern Europe is suffering.

6. Subject to any considerations which your Excellency's Government may desire to put forward in reply to these observations, His Majesty's Government are inclined to think that the best course to adopt at Genoa would be to recognise the facts of the situation as it exists to-day and not to insist upon theoretical rights, which, if persisted in, can only, in their opinion, seriously retard and impede restoration of economic life in Europe, which it is the object of the Genoa Conference to assist.

I have, &c.

CURZON OF KEDLESTON

#### No. 49

#### *Memorandum<sup>1</sup> respecting the Relation of the Genoa Conference to the Work of the League of Nations*

[C 5157/458/62]

FOREIGN OFFICE, *March 18, 1922*

Some of the activities of the League of Nations cover the same ground as the Genoa Conference is intended to cover, i.e., matters affecting (a) the

<sup>1</sup> This unsigned memorandum is headed: 'Briefs for Interdepartmental Committee, No. 30'. (See No. 29, n. 1.)

financial and economic situation of Europe and (b) European transit and communications.

2. The work hitherto accomplished by the League in these matters is summarised in Appendices I and II below. The following are the more important points contained in these appendices:—

- (a) Since October 1920 a Provisional Economic and Financial Committee of the League has been engaged in investigating further and, so far as possible, executing the recommendations of the Brussels Financial Conference of September 1920.<sup>2</sup> These recommendations are in large part the very recommendations which it is proposed that the Genoa Conference should endeavour to put into practical effect.
- (b) The only reason that the League have not themselves already established a permanent economic and financial organisation and that they have not summoned a further international economic and financial conference, on much the same lines as Genoa, is understood to be the fact that the League have hitherto been advised that the temporary and kaleidoscopic nature of the existing financial and exchange situation did not for the moment permit of satisfactory results being achieved by such a conference or permanent organisation.
- (c) A permanent technical and advisory transit committee of the League has now been actually in working order for nearly a year, and this committee is actually engaged in considering many of the matters regarding transit—notably the question of an international railway convention—with which it is now apparently proposed that the Genoa Conference itself should deal.

3. Consideration of these points and of the appendices to this memorandum will perhaps give some idea of the scope and nature of the work which the League have already done in these matters. The questions they suggest are as follows: Is it desired that the results of the Genoa Conference should supplement the relevant League organisations and their work? Or that they should absorb the League organisations and their work? Or that they should supersede them? It is impossible to recommend any general answer to such questions for the guidance of the British delegation, much more any particular solution on any given point, without a definite ruling as to policy. All that can be said is—

- (1) That, to prevent overlapping and confusion, the existence of the cognate activities of the League of Nations must be taken into account as regards every particular proposal put forward at Genoa; and careful consideration must be given to the bearing of each proposal on those activities. In each case this will be a matter of detailed technical study.
- (2) That the following provision of article 24 of the Covenant must be borne in mind: ‘All international bureaux and all commissions for

<sup>2</sup> See No. 2, n. 3.

the regulation of matters of international interest hereinafter constituted shall be placed under the direction of the League.'

P.S.—The following resolution was adopted by the Council of the League of Nations on the 28th March, 1922:—

'Prenant note de la proposition du Gouvernement italien, le Conseil de la Société des Nations autorise le Secrétaire général à prendre les mesures nécessaires pour donner éventuellement à la Conférence de Gênes le concours technique qui lui sera demandé dans la mesure où le permettent les travaux dont le Secrétaire général a la responsabilité.'

#### APPENDIX I TO No. 49

##### *The Economic and Financial Work of the League*

The first intervention of the League of Nations in economic and financial affairs was due to the direct initiative of the British Government. It was at the London meeting of the Council of the League that Mr. Balfour, on the 13th February, 1920, proposed the convention by the League of an international conference to 'study the financial crisis and to look for a means of remedying it'.

2. Mr. Balfour's proposal was immediately accepted by the Council, and an international financial conference was summoned to assemble at Brussels on the 24th September, 1920.

3. At this conference, at which thirty-nine States were represented, there was general agreement that, whilst international and domestic peace were the first essentials of world economic and financial recovery, the general and mutual international observance of a code of sound economic and financial principles was of equal importance. It was such a financial and economic code that the Brussels Conference set itself to prepare. Forty-four 'collective and unanimous recommendations' in all were drafted. They dealt with questions of public finance, currency and exchange, international trade and commerce, and international credits.

4. In forwarding these recommendations, together with the report of the conference, to the various members of the League, the Council pointed out that the work of the conference could only be regarded as a 'preliminary diagnosis, purely provisional and temporary in nature, of an extremely complex problem'. Even this diagnosis, preliminary as it was, was not complete, for the conference had been obliged to eliminate from their discussions everything which bore on the execution of the treaties of Paris, all matters still under discussion between the Allies and Germany, and especially the question of reparation. The Council further reminded the members of the League that the solution of the post-war economic and financial situation was a matter demanding long and continuous international effort and study. They added that for this reason they had decided—

- (a) To nominate a Provisional Technical Economic and Financial Committee to continue the work of the Brussels Conference and to advise the Council on economic and financial matters; and
- (b) To advise the Assembly of the League to empower the Council to create eventually an economic and financial organisation of a permanent kind.

5. The Assembly met for the first time in December 1920. At this meeting they expressed their complete approval of the work of the Brussels Conference and of

the nomination by the Council of a Provisional Economic and Financial Committee. They also empowered the Council to constitute in due course the permanent economic and financial organisation proposed.

6. The next stage at which the progress of the economic and financial activities of the League can best be noted is upon the eve of the second meeting of the Assembly in September 1921. At that date the activities of the Provisional Economic and Financial Committee can be considered under the following heads:—

- (a) The international credits scheme;
- (b) The relief of Austria;
- (c) The enquiry into the world foodstuffs and raw material situation;
- (d) Certain minor matters arising out of the recommendations of the Brussels Conference; and
- (e) The progress made towards the constitution of the permanent economic and financial organisation.

7. The international credits ('Ter Meulen') scheme had been approved by the Council in 1920, and the preliminary steps necessary for its application had been entrusted to the financial section of the Provisional Economic and Financial Committee. The scheme was intended to facilitate the financing of impoverished nations for their essential imports, and it was proposed that an international commission should be constituted under the auspices of the League, for the purpose of deciding the assets to be assigned by the importing country as security for the credits to be granted by the nationals of the exporting country. As a result of his preliminary discussions with the various Governments, Sir D. Drummond Fraser (the organiser of international credits) was able, in September 1921, to report that the scheme was, in the first place, a useful basis for the provision of credits for reconstruction purposes, and that, in the second place, it might well prove to be a means of assisting towards the establishment of a sound system of governmental finance the Governments of those countries whose financial difficulties were the most severe.

8. The possibility of adapting the international credits scheme to the special requirements of Austria was referred to the League by the Supreme Council in March 1921. As a result of their enquiries, the financial section of the Provisional Finance and Economic Committee established the possibility of undertaking the relief of Austria in accordance with the plan drawn up by the Austrian Government and with the aid of temporary loans obtained abroad. It was pointed out, however, that the necessary condition of the availability of these loans was the waiving by all the various Governments concerned of their reparation and relief liens upon the Austrian Government. (N.B.—At the time of writing (March 1922) action by the various Governments to this end is still incomplete.)

9. During 1920 and 1921 an enquiry was conducted by the Provisional Economic and Financial Committee into certain aspects of the situation of the various countries as regards their supplies of raw materials. A report was presented to the Council in September 1921, but, owing to the continued uncertainty of the financial and exchange situation, this report was of a somewhat inconclusive character.

10. Amongst the minor matters arising out of the recommendations of the Brussels Financial Conference, which were considered by the provisional committee, were the possibility of establishing a system of finishing credits, the unification of international legislation regarding bills of exchange, and the reciprocal treatment of branches of foreign banks in the various countries.

11. The provisional committee's recommendation to the Council to postpone the constitution of a permanent economic and financial organisation until the general financial and exchange situation became less obscure, and until at least the year 1922, was approved.

12. The meeting of the Assembly in October 1921 may be said to mark the latest stage in this sphere of the League's activities. At this meeting the Assembly expressed their complete approval of the work of the provisional committee to date. They expressed the hope that the committee would carry on urgently its enquiries as to the measures taken by the various Governments to ensure the application of the Brussels resolutions, and they invited the committee to investigate all practical proposals which might be made for the completest possible application of these resolutions. They added a recommendation that the committee should at once consider the measures necessary for the adaptation of the system of international credits to the various situations of the different countries.

## APPENDIX II TO No. 49

### *Communications and Transit Work of the League*

The work of the League of Nations in regard to communications and transit has its origin in article 23 (e) of the covenant and in the various clauses of the Treaties of Paris, notably articles 338 and 379 of the Treaty of Versailles, which deal with ports, waterways, railways, &c., and the application of which is entrusted to the League. Article 23 (e) of the covenant reads as follows:—

'Subject to and in accordance with provisions of international conventions existing or hereafter to be agreed upon, the members of the League will make provision to secure and maintain freedom of communications and of transit and equitable treatment for the commerce of all members of the League. In this connection the special necessities of the regions devastated during the war of 1914 shall be borne in mind.'

2. The Council of the League took the first step in execution of the above provisions at their meeting in London in February 1920. At that meeting a provisional committee of enquiry was directed—

- (a) To submit to the Council proposals for the formation of a permanent league organisation to deal with communications and transit; and
- (b) To prepare for submission to this organisation draft international conventions respecting transit, waterways, ports and, if possible, railways.

3. The report of this committee was submitted to the Council in the summer of 1920. On the committee's recommendation the Council decided to invite the members of the League to send special representatives to a conference at Barcelona<sup>3</sup> to meet in the spring of 1921—

- (a) To consider the means of execution of article 23 (e) of the covenant and the elaboration of the general conventions referred to in articles 338 and 379 of the Treaty of Versailles; and
- (b) To organise a permanent communications committee as a consultative and technical body to consider and propose the measures necessary to ensure at all times the freedom of communication and transit.

4. A further conference on questions relating to transit—those connected with

<sup>3</sup> See No. 34, n. 23.

passport and customs formalities—was held upon the instructions of the Council in Paris in October 1920. This conference drew up a report containing certain proposals, which the Council were advised to invite the various Governments to adopt with as little delay as possible. (N.B.—At the time of writing (22nd March) there are still countries in which the recommendations of the conference have not yet been put into effect.)

5. The Assembly of the League, at their first meeting in December 1920, expressed complete approval of the measures taken to date by the Council.

6. In March 1921 the Barcelona Conference assembled (see paragraph 3 above). The following were the more important matters dealt with at this conference:—

- (a) The scheme of organisation of the new Permanent Advisory and Technical Transit Committee.
- (b) The draft conventions on the freedom of transit and the régime of certain navigable rivers of international concern (articles 338 and 399 of the Treaty of Versailles).
- (c) The preparation of recommendations relating to international railways and ports.

7. The resolutions of the conference were formally approved by the Council in June 1920. A general report on the work of the conference was transmitted to the Governments concerned. Certain special points, including the preparation of a convention with regard to international railways and the question of communications and transit in time of war were referred for further consideration to the Permanent Technical and Advisory Transit Committee. This committee had been set up as a result of the recommendations of the conference.

8. The Assembly, at their second meeting in October 1921, again expressed complete approval of the communications and transit activities of the League to date.

## No. 50

*The Marquess Curzon of Kedleston to Lord Hardinge (Paris)*

*No. 799 [W 2448/50/17]*

FOREIGN OFFICE, *March 19, 1922*

My Lord,

The French Ambassador called upon me at my private house yesterday afternoon in order to carry out certain instructions which he had received from his Government. The first two points related to the forthcoming conference at Genoa. He subsequently left upon my table two notes<sup>1</sup> describing the information which he had come to seek, but his own fulfilment of his instructions was confined to two particulars. M. Poincaré, he said, was still somewhat uneasy as to the position which would be occupied at the conference by the German and Russian delegations, and he was anxious that there should be no disagreement between the Principal Allied Powers on this point. A reference to the proceedings at Cannes would show that it

<sup>1</sup> Of March 17, not printed.

was only upon a certain understanding, and upon the acceptance of certain broad principles which were named, that the Russian delegation was to be admitted at all; and he assumed, therefore, that in the opening statement of the President, who would be an Italian, note would be taken to the effect that all the Powers who were there represented indicated by their presence their acceptance of the fundamental principles which had been recognised as the necessary basis of their collaboration.

I said that my recollection of what had passed at Cannes coincided with his, and that if the Italian President, in the course of his speech, chose to remind his audience of what had been agreed upon at the latter place, I could not see that there was any objection to his doing so.

The second point of the Ambassador was with reference to the manner in which and the degree to which an attempt should be made to consult or conciliate the League of Nations in regard to the proceedings of the forthcoming conference. It was clear that at several points both the discussions that took place and the decisions that were arrived at would touch upon matters already in the hands of the League of Nations, and it seemed very undesirable that there should be any collision between the two bodies. It had been suggested, therefore, that the League of Nations should be invited to send delegates to Genoa, who might be available for reference whenever these questions were raised, but who would not be admitted as a formal delegation to the plenum of the conference.

I said that I thought that the matter ought to be very carefully handled, because nothing would be more unfortunate than an appearance of conflict, or still more of open schism, between the Conference and the League. Only within the last twenty-four hours I had seen a representation from the Italian Government<sup>2</sup> in which they submitted a definite proposal that the Council of the League should be invited to send a body of eight or nine experts, with the necessary staff, to Genoa; these delegates being representative of the different departments or branches of the League which were likely to be concerned, and including representatives of the Labour Bureau. I had at once regarded this proposal with considerable suspicion, particularly if the Labour Bureau, who had a very vigorous chairman in the person of M. Albert Thomas, were to appear upon the scene at Genoa and to insist upon being present at the conference, where they might make themselves rather a nuisance. I had replied to the Italian Government,<sup>3</sup> therefore, that, whilst I thought it important that the Council of the League should be kept in touch with what was going on, and should even have one or more of their experts on the spot, these should be invited for purposes of reference in case any question affecting the League was raised, but that nothing in the nature of a formal invitation to the League to send an official delegation ought to be despatched.

The Ambassador said he was inclined to agree with me, and he thought that M. Poincaré would do the same. He said that he would report my views to his Government.

<sup>2</sup> A Note of March 12, 1922, not printed.

<sup>3</sup> See No. 52, below.

His Excellency then proceeded to ask me my views about further consideration of the so-called 'pact' between Great Britain and France.<sup>4</sup> He asked whether the Cabinet had considered and were in a position to pronounce upon the latest proposals, now some weeks old, from the French Government.

I replied that I had written a memorandum<sup>5</sup> of advice to my colleagues on the matter, which had been in their hands for several weeks, and that the Prime Minister had taken it with him to Boulogne<sup>6</sup> with a view—had there been time—of discussing the matter on that basis with M. Poincaré. No actual decision had been arrived at by the Cabinet upon the case, but I had reason to believe that my principal colleagues were in accord with the views which I had expressed; views that were identical with those which I had more than once laid before the Ambassador himself. No doubt at the right time the Cabinet would be quite prepared to come to a final decision upon the subject, but that time had not yet arrived. His Excellency, I said, would remember that when the subject was first discussed with M. Briand at Cannes the British Prime Minister had clearly laid down that the ground must be cleared of certain matters still in dispute between the two Governments before the pact could be concluded, and, further, he had directly intimated what those matters were.<sup>7</sup> They were, in the main, three in number:—

The proceedings of the Genoa Conference,  
The settlement of the Near East, and  
The question of Tangier.

Further, when M. Briand had fallen,<sup>8</sup> and the Prime Minister and I had successively seen M. Poincaré in Paris,<sup>9</sup> he had expressed his agreement with the same line of procedure, and had laid down that the causes of disagreement should be removed before the final agreement was concluded. Although I gathered that M. Poincaré had subsequently modified his view, I was sure that my colleagues had not changed theirs, and that from every point of view this was the best method by which to proceed. The Near-Eastern Conference was about to meet,<sup>10</sup> and we should soon know how far we had been able to come to an agreement. This was to be followed by the Genoa Conference, which would take us well into the summer. I had already agreed with M. Poincaré to undertake the Tangier conversations<sup>11</sup> immediately afterwards. When the whole of these matters had been concluded then would be the time to resume the discussion—and, I hoped, the conclusion—of the pact. But, in view of the somewhat altered state of opinion in this country, where large sections of opinion, notably Labour and Liberal opinion,

<sup>4</sup> See Nos. 1, 10, and 11.

<sup>5</sup> Of February 17, published in Cmd. 2169 (1924), pp. 154–62.

<sup>6</sup> See No. 34.

<sup>7</sup> See No. 17.

<sup>8</sup> See No. 23, n. 3.

<sup>9</sup> Mr. Lloyd George's interview with M. Poincaré on January 14 was described in Lord Hardinge's despatch No. 150 of January 16, not printed. For Lord Curzon's meeting with M. Poincaré on January 16, see Vol. XVII, No. 508.

<sup>10</sup> This Conference met in Paris from March 22 to March 26, 1922 (see Vol. XVII, Chap. IV).

<sup>11</sup> See No. 1, n. 16.



were opposed to the conclusion of a military pact at all, it seemed to me most unwise to go to Parliament and ask their assent unless we were able to say at the same time that the ground had been cleared of all the sources of misunderstanding, and that the two parties were going forward in a spirit of perfect unison. Such a claim could certainly not be made now, although I hoped that it might be advanced later on.

The Ambassador then proceeded to draw a sharp distinction between the case of Tangier and the two other—and admittedly more important—subjects, and argued that as soon as Genoa and the Near East had been settled we should proceed to sign the pact without further delay. To this proposition I declined to assent. Whilst admitting that Tangier stood on a much lower level of importance than either the economic reconstruction of Europe or the settlement of the Near East, I nevertheless said I had been greatly perturbed by the position recently taken up by the French Government. My conversation with M. Briand at Cannes had led me to believe that the French Government were willing to accept the principle of internationalisation as the basis of the settlement; but, only a few weeks ago, his Excellency had himself submitted to the Foreign Office a scheme for a municipal council at Tangier,<sup>12</sup> which, as he knew, we regarded as simply ridiculous; and, further, since then Count Peretti, having been sent by the French Foreign Office to talk the matter over with your Excellency,<sup>13</sup> had taken up an attitude so frankly inconsistent with any idea of internationalisation, as we understood it, and so hostile and even defiant in its conception, that I began to be doubtful whether a conference on such a basis was possible at all, and whether, if it took place, it might not develop a difference of opinion that, whatever the degree of importance of the subject, might end by becoming extremely serious. In these circumstances, it seemed to me absolutely essential that Tangier also should be disposed of before we proceeded with the further stages of the pact, and I could hold out to his Excellency no hopes that I should advise my colleagues in any other direction.

The Ambassador then proceeded to pour out upon me, with a volubility that almost took my breath away, the French conception of the Tangier case.

I need not repeat this in the present despatch, because your Excellency is already familiar with it. Suffice it to say that the Count de Saint-Aulaire did not seem to understand why Great Britain should have any interest in the matter at all, provided her two desiderata, (1) economic, and (2) strategic, were met. The French were prepared to give any reasonable assurances in these respects that we might desire, but the sovereignty of the Sultan of Morocco (who he failed to remind me was a puppet in the hands of the French) over the natives of Tangier must be absolutely maintained.

<sup>12</sup> This scheme was originally put forward in a French Memorandum of December 15, 1921, which was transmitted to the Foreign Office by Sir M. Cheetham (Minister in H.M. Embassy at Paris) under cover of his despatch No. 3526 of December 16 (W 13057/790/28), not printed.

<sup>13</sup> A reference to a conversation between Lord Hardinge and Count Peretti on March 11, 1922. Lord Hardinge transmitted to the Foreign Office an account of this conversation in his telegram No. 146 of March 12, not printed.

The scheme for an international administration, as contemplated by both the French and Spanish Governments and ourselves in 1914,<sup>14</sup> which was a sequel to the Act of Algeciras,<sup>15</sup> had, he said, now been entirely changed by the war and by subsequent events. Some very different and smaller scheme must therefore now be suggested.

This argument, I did not hesitate to point out to the Ambassador, indicated, as I suspected, so wide a divergence between the French and British positions that it enormously strengthened my case for dealing with the matter before the pact was signed. What, I asked him, would be the position if, perhaps with no small difficulty, the Government persuaded the House of Commons to agree to the pact, and then within a few weeks it was found that at a conference sitting in London a divergence—perhaps even a breakdown—of no inconsiderable importance between the two Governments, who had just pledged their troth to each other, was found to take place. I urged him to be careful to avoid any such disaster as this, and said that if M. Poincaré in my forthcoming visit to Paris questioned me on the matter, I should return him exactly the same reply.

I am, &c.

CURZON OF KEDLESTON

<sup>14</sup> See G. H. Stuart, *The International City of Tangier*, op. cit., pp. 62-5.

<sup>15</sup> Of April 7, 1906. See *B.F.S.P.*, vol. 99, pp. 141-71.

## No. 51

*Mr. C. Barclay<sup>1</sup> (Stockholm) to the Marquess Curzon of Kedleston  
(Received March 28)*

*No. 139 [C4586/458/62]*

STOCKHOLM, March 21, 1922

My Lord,

With reference to my telegram No. 36 of the 19th instant<sup>2</sup> I have the honour to report that the preliminary exchange of views between the Swedish, Danish, Norwegian, Swiss, Dutch and Spanish Governments on economic and financial questions to be discussed at Genoa took place here on the 18th instant. Those who participated in the conversations were: The Swedish Prime Minister, Mr. Branting and Mr. Boström (Secretary General of the Ministry for Foreign Affairs), the Danish Minister for Foreign Affairs, Mr. H. Scavenius and the Danish Minister here, the Norwegian Prime Minister, Mr. Blehr and the Norwegian Minister and the Swiss, Dutch and Spanish Ministers accredited here.

Subsequently a communiqué was issued stating that the conversations had shown that essential agreement existed in points of view concerning the questions touched upon and that the further exchange of views that would probably be necessary before the Genoa Conference would be between the

<sup>1</sup> H.M. Minister at Stockholm.

<sup>2</sup> Not printed.

experts who would be sent to the Conference by the respective Governments concerned.<sup>3</sup> The above was confirmed by one of my colleagues who was present at the Meeting, also that no political questions were discussed.

When I saw Mr. Branting to-day I asked him if there was anything further he could tell me on the subject. He told me confidentially that he hoped to send one of the Swedish experts to London at the end of the week to get into touch with the British experts who had been studying these same questions with a view to exchanging views and thus linking up with them. I understand that the Swedish Minister in London is already in communication with Your Lordship on the subject.

Mr. Branting also told me that owing to pressure of parliamentary work he would probably not be able to stay at Genoa after Easter.

I have transmitted a copy of this despatch to His Majesty's Ministers at Christiania and Copenhagen.

I have, etc.

C. BARCLAY

<sup>3</sup> This conference opened on April 8. Mr. O. A. Scott, Second Secretary at H.M. Legation at Berne, in his despatch No. 133 of April 11, reported: 'The delegates . . . unanimously expressed their desire that the Genoa Conference should in no way infringe upon the sphere of activity of the League of Nations. Subsequently they passed to economic and financial questions which had previously been examined by the experts attached to the delegations and to the question of the attitude to be adopted with regard to commercial relations with Russia and with other European countries in general, but, as was to be expected, nothing of very definite importance emerged from their somewhat hurried review of the problems with which they will be confronted at Genoa.'

## No. 52

### *Letter from the Marquess Curzon of Kedleston to the Italian Ambassador* [C 3977/458/62]

FOREIGN OFFICE, *March 21, 1922*

His Majesty's Government fully share the opinion of the Italian Government, communicated [by] your Excellency's memorandum of the 12th March,<sup>1</sup> that there can be no question of either the League of Nations or the International Labour Office being 'represented' at Genoa, in the sense of the presence of persons who would act on behalf of either of these bodies as delegates or members of the conference or of the conference committees.

2. His Majesty's Government are, however, in agreement with the procedure suggested by the Italian Government for utilising at Genoa any material or information that may be in possession of the League or of the International Labour Office.

3. It is presumed that the Italian Government will communicate to the League a copy of the Genoa agenda and that the League will arrange for

<sup>1</sup> Not printed.

the presence at Genoa of such of their technical experts as may be in a position to communicate to the conference any information for which the latter may express a desire.

I have, &c.

CURZON OF KEDLESTON

No. 53

*Telephone Message from Lord Curzon (Paris)<sup>1</sup> to the Prime Minister  
(Received March 26)*

[C 4581/458/62]

PARIS, March 26, 1922<sup>2</sup>

This morning M. Poincaré placed before me text of a proposal which Bourgeois,<sup>3</sup> presiding over meeting of Council of League of Nations to-morrow morning, is anxious to pass. It relates to the part to be played by Council of League in execution of decision of Genoa Conference and was defended by Poincaré as being in direct accord with agreement arrived at between him and you at Boulogne.<sup>4</sup> The words are as follows:—

‘Whereas a certain number of questions with which the Genoa Conference will have to deal appear to correspond with the subjects which, in accordance with the Pact of the League of Nations, are entrusted to the latter, the Council consider it essential that application and execution of the recommendations of Genoa Conference on these subjects be entrusted to it and declares itself ready to give to the Secretariat-General instructions to authorise the technical collaboration required of it.’

Schanzer<sup>5</sup> and I both objected to the word ‘essential’ and he suggested substitution of the word ‘desirable.’

Even so I did not like to consent without consulting you.

Mr. Fisher,<sup>6</sup> to whom I spoke on the telephone before he started for London, thought that it was safe, but as I felt uncertain about possible implication I deferred assent until I had communicated with you.

I leave at 11 to-morrow. Can you favour me with reply by telegraph or telephone before then?<sup>7</sup>

<sup>1</sup> Lord Curzon was in Paris March 22–6 for Conversations with M. Poincaré and Signor Schanzer on Near Eastern Affairs (see Vol. XVII, Chap. IV).

<sup>2</sup> The time of this message is not recorded.

<sup>3</sup> Monsieur Léon Bourgeois, a Vice-President of the League of Nations Assembly, and French Representative on the Council of the League of Nations.

<sup>4</sup> See No. 34.

<sup>5</sup> Minister for Foreign Affairs in the Facta Cabinet (see No. 29, n. 5).

<sup>6</sup> Mr. H. A. L. Fisher, British Empire representative on the Council of the League of Nations.

<sup>7</sup> In Foreign Office telegram No. 107 of March 26 to Paris, Sir E. Crowe transmitted to Lord Curzon the following reply from the Prime Minister: ‘I have no objection provided it is made clear that resolution of Council of League cannot bind the conference, which will be attended by nations not members of League. Therefore resolution must be treated as recommendation to Genoa Conference. It must not appear to present cut-and-dried decision to conference or otherwise it is bound to fail.’

I.C.P. 236A. Also S. 48] *British Secretary's Notes of a Meeting held at 10, Downing Street, London, on Monday, March 27, 1922, at 5 p.m.*

[N 3293/646/38]

**PRESENT:** *British Empire:* The Rt. Hon. D. Lloyd George, O.M., M.P., accompanied by Sir Maurice Hankey and Sir Edward Grigg.  
*Italy:* M. Schanzer,<sup>1</sup> accompanied by Marquis Visconti Venosta and M. Giannini.

*Turkey.*

1. MR. LLOYD GEORGE said that he had heard that the Foreign Ministers had made very good progress at Paris.<sup>2</sup>

M. SCHANZER said he was very well satisfied with the meeting.

MR. LLOYD GEORGE asked if they had made peace.

M. SCHANZER said that they had drawn up very fair terms. In reply to the Prime Minister, he said they had provided for the protection of the Christian races.

MR. LLOYD GEORGE said that he had less confidence in the Turks than had some other people. It would be a horrible thing if a new massacre broke out.

*Genoa.*

2. MR. LLOYD GEORGE said that the next conference was at Genoa. That was very largely M. Schanzer's business. He himself would do his very best to support him in the chair.

M. SCHANZER said that M. Facta had charged him to make his excuses for not being able to visit the Prime Minister, but he had been very busy in Rome. M. Facta would be at Genoa at the outset of the conference and would preside at the opening meeting. It was probable, however, since he was president of the Assembly, that he might be called to Rome. M. Schanzer asked if it was Mr. Lloyd George's idea that he himself should take the chair when M. Facta was called away. He was willing to do so if desired.

MR. LLOYD GEORGE said he certainly thought that this was the proper arrangement. He asked if M. Lenin was expected to come to the conference.

M. SCHANZER said that M. Lenin was reported to be ill, and it was doubtful if he could come.

MR. LLOYD GEORGE said he wished M. Lenin could come as he felt the Allies might make peace with him. He was less certain in regard to M. Chicherin, who had sent a very impertinent message to M. Schanzer.<sup>3</sup>

<sup>1</sup> See No. 53, n. 5.

<sup>2</sup> See No. 53, n. 1.

<sup>3</sup> The reference is presumably to No. 46.

*Arrangements for the Conference.*

3. M. SCHANZER asked if it was necessary to raise the question of the agenda again. As it had been accepted at Cannes<sup>4</sup> he thought it was not.

MR. LLOYD GEORGE agreed that it was unnecessary.

M. SCHANZER then asked [for] Mr. Lloyd George's views as to the arrangements for the conference.

MR. LLOYD GEORGE said it would be very useful if, a day before the conference opened, the convening Powers might meet and have a discussion. They might arrive on the evening of the 8th and have a discussion on the 9th in regard to the general arrangements for the conference. He asked if M. Schanzer would be passing through Paris on his return.

M. SCHANZER said he would be unable to stop, but he could arrange this meeting with the other Governments concerned by telegram.

MR. LLOYD GEORGE said that if that could be arranged he himself would try and see M. Poincaré on his way through Paris.

M. SCHANZER said he had spoken to M. Poincaré on the previous day and found he was now disposed to come to Genoa.

MR. LLOYD GEORGE said he hoped M. Poincaré would come, at any rate, at the outset. He had had quite an amicable talk with M. Poincaré at Boulogne.<sup>5</sup> He understood that M. Schanzer had received a copy of the *procès-verbal*.

M. SCHANZER replied that this was the case. He understood that it had been arranged at Boulogne that certain subjects should be excluded, for example, peace treaties, reparations and armaments. As chairman of the Genoa Conference he apprehended that someone might speak on these questions. He himself felt it was impossible absolutely to exclude all reference to them.

MR. LLOYD GEORGE recalled that at Boulogne he had told M. Poincaré clearly that in his view it was impossible to prevent a speaker from saying that reparations or the treaties of peace produced such and such an effect, and that in these circumstances the effect of certain measures would be limited.

M. SCHANZER said that he himself had pointed out to M. Barrère<sup>6</sup> that in his view it was impossible absolutely to exclude all reference to the barred subjects.

MR. LLOYD GEORGE said he did not think that M. Poincaré would take an extreme view on this subject. Of course, he would not agree to any alterations in the terms of the treaties, but he could not prevent all mention of the treaties, or prohibit a speaker from saying that the effect of the treaties on the exchange, for example, was so and so.

*Organisation of the Genoa Conference.*

4. M. SCHANZER said he would like to have a word about the organisation of the Genoa Conference. He proposed that there should not be many plenary sessions, but that most of the business should be done in committee.

<sup>4</sup> See No. 20.

<sup>5</sup> See No. 34.

<sup>6</sup> The French Ambassador in Rome.

MR. LLOYD GEORGE agreed.

M. SCHANZER proposed that the conference should open with a speech of welcome from M. Facta. Then should follow the appointment of the president, and after this the conference should proceed with the constitution of committees.

MR. LLOYD GEORGE said he thought it was desirable that there should be a general expression of the reasons for the conference by the representatives of France and Great Britain. In moving and seconding the appointment of the president, they might discuss the scope of the conference.

M. SCHANZER said he would be very grateful for this. In this event he did not see how they could avoid the German and Russian representatives speaking also. This would mean a very long debate.

MR. LLOYD GEORGE said he did not mind the German and Russian representatives speaking, but what he feared was that the speeches would be extended through all the nations to Albania and Luxembourg. He thought it would be useful if the Russian and German representatives had an opportunity to speak. The conference would get to know where the Russians stood. It would be, so to speak, a reconnaissance in force.

M. SCHANZER asked how, in that event, the other nations could be excluded from speaking.

MR. LLOYD GEORGE said that M. Clemenceau used to surmount the difficulty by rising and announcing, 'La séance est levée.' He admitted, however, that the difficulty was very considerable. However, it would be most useful to know where the Russians stood at the outset of the conference, and a general discussion would be useful which would bring this out.

M. SCHANZER said he contemplated the establishment of five committees. First, a political committee, to be composed of Prime Ministers and Foreign Ministers: a second committee, especially for Russia, to be presided over by a British delegate; a third committee for financial affairs, with a French president; a fourth for economic affairs, with a Belgian president; and a fifth for transit, with a Japanese president, making five committees in all. If Mr. Lloyd George thought it essential to have a debate in plenary session, in which the Russian representatives should take part, he thought there would be a difficulty. Would it not be better to transfer the debate to the Committees?

MR. LLOYD GEORGE suggested that the political and the Russian committees should not be separate, but it was essential to have a general agreement as to the lines on which the conference was to travel, and this subject must be dealt with by the heads of delegations.

M. SCHANZER asked if Mr. Lloyd George meant that it was difficult to separate the Russian committee from the political committee.

MR. LLOYD GEORGE agreed that this was his view. Apart from Russia, the main part of the conference would be financial and economic, but the question of Russia raised great political issues. The first thing was for the members of the conference to clear their minds as to what they were aiming at. Was it exclusively financial or partly political? No one would advance

money until peace was established in Europe. So long as great Russian and Polish armies existed no one would advance money. Hence, the conference must know what it was driving at. He would describe their objective as peace in Europe. For example, Russia must recognise that Bessarabia was part of Roumania; the Russo-Polish frontiers must be recognised; the Karelian boundary must be fixed. All these questions must be settled, and then the nations must be induced not to attack each other. Otherwise, there could be no economic restoration.

M. SCHANZER asked if Mr. Lloyd George thought these political questions could be settled in conference.

MR. LLOYD GEORGE replied, not in plenary conference but in committees.

M. SCHANZER asked if his view was that the whole Russian problem should be brought before the Political Committee.

MR. LLOYD GEORGE replied in the affirmative. The thing to be sure of was that there should be no fighting between the various States.

M. SCHANZER asked if Mr. Lloyd George would propose to begin with a general statement.

MR. LLOYD GEORGE replied that the Russian delegation were coming without knowing exactly what the conference was for, and he thought some of the Allies were in the same position. Hence, it would be useful to give a general explanation. Perhaps M. Facta could do this.

M. SCHANZER thought it would be better for M. Facta to reserve himself and for Mr. Lloyd George to make this declaration.

MR. LLOYD GEORGE said that he could propose and M. Poincaré could second the moving of M. Facta into the chair. They could take this opportunity to make a general statement.

M. SCHANZER said in that event M. Facta might perhaps confine himself to an address of welcome.

MR. LLOYD GEORGE said that if M. Schanzer preferred, M. Poincaré could make a general statement.

M. SCHANZER said it was essential that Mr. Lloyd George should speak.

MR. LLOYD GEORGE said that he would speak also.

M. SCHANZER asked if the Germans and Russians would also speak.

MR. LLOYD GEORGE replied in the affirmative. It was necessary to know where their delegates stood. It might be necessary to talk very straight to the Russians at the outset of the conference.

M. SCHANZER asked if the committees would then be appointed.

MR. LLOYD GEORGE replied in the affirmative, but only after a general explanation of the scope of the conference had been given.

M. SCHANZER asked if Mr. Lloyd George contemplated four instead of five committees. If so, the four committees could be presided over by the representatives of the Great Powers. This would mean leaving Belgium out.

MR. LLOYD GEORGE pointed out that in any event it would be difficult to give a chair to a Belgian representative and not to Roumania or Czechoslovakia.



M. SCHANZER asked if the Political Committee should be presided over by an Italian delegate.

MR. LLOYD GEORGE replied that he certainly thought this should be the case.

M. SCHANZER asked if matters could not be arranged so that the Russian question should be the only question before the Political Committee.

MR. LLOYD GEORGE pointed out that this could not be the case. The French Government, it was true, had limited discussion to a considerable extent, but how was it possible to reconstruct Europe without mentioning Russia?

M. SCHANZER pointed out that the question of Austrian relief had hitherto been dealt with by the League of Nations and might perhaps be excluded from the Genoa Conference.

MR. LLOYD GEORGE pointed out that the question of the exchanges was also very important.

#### *Substitute Delegates.*

5. M. SCHANZER asked whether Mr. Lloyd George would agree to the appointment of substitute delegates. The work in committee might require Ministers who were not delegates.

MR. LLOYD GEORGE said he was entirely in favour of this. There were some questions on which he might like to be represented by a Minister who was not a member of the delegation.

M. SCHANZER thought that a certain elasticity was desirable. He said he had prepared a draft of certain rules of procedure. He suggested that there should be no debate in regard to these, but they should be declared by the chairman. If they were brought before the plenary session, they would involve a long debate.

MR. LLOYD GEORGE agreed. It was important not to spin out the conference too much.

M. SCHANZER thought a month was the extreme limit.

MR. LLOYD GEORGE agreed that it should not last longer. There might, it was true, be a good deal to settle afterwards. It was necessary in the first instance to declare the policy and then to leave the experts to work out the details.

#### *League of Nations.*

6. M. SCHANZER said that an outstanding question related to the League of Nations, which was anxious to co-operate at Genoa by sending experts; for example, from its financial and economic organisations and from the Labour Bureau. They wanted to send two or three experts from each. He thought this might be accepted on the understanding that they were not there as delegates, but merely as advisers.

MR. LLOYD GEORGE agreed. He said that as the conference continued, it would be found that the business was done in informal talks rather than at the main conference. At Cannes there had been very valuable informal

talks with the Germans<sup>7</sup> and Russians.<sup>8</sup> The Russians would, no doubt, put forward proposals, and someone would have to see them. The same applied to the Germans. If we worked together, he believed that Genoa could be made the greatest of all the conferences.

M. SCHANZER said that it would be Mr. Lloyd George's work.

MR. LLOYD GEORGE replied that it would not be his, but the work of all.

M. SCHANZER referred to a recent speech he had made in the Italian Parliament controverting those who had belittled the value of the Genoa Conference and stating that it would be the most important of all. This had been very well received.

MR. LLOYD GEORGE said he heard that all parties had welcomed the statement.

M. SCHANZER said that this was the case. He had stated clearly that certain subjects would be excluded and this had not evoked any protests from the Labour Party.

#### *Personnel of Committees.*

7. MR. LLOYD GEORGE said he would like M. Schanzer to think out whether at the outset there should not be a general discussion. Another difficulty related to the establishment of the committees, and the representation on them of the smaller Powers.

M. SCHANZER said he thought it was impossible to exclude the smaller Powers and that they must be allowed to have one representative each on all committees.

MR. LLOYD GEORGE said this would mean committees of over thirty.

M. SCHANZER asked if it was possible from the democratic point of view to exclude them.

MR. LLOYD GEORGE agreed that it was difficult, but he asked if it was possible to give the smaller Powers the same representation as the Great Powers. He was thinking of the question of time.

M. SCHANZER said he feared it would produce a bad effect if the small Powers were ruled out of the committees.

SIR MAURICE HANKEY suggested that one plan would be to have the small Powers represented on the main committees, which would then delegate most of the work to sub-committees selected according to expert competence rather than nationality.

MR. LLOYD GEORGE asked how it would be possible to get the business done with such large committees. With thirty members there would be endless debates.

M. SCHANZER said his experience was that the representatives of the smaller Powers did not speak very much. He appealed to Sir Maurice Hankey to support this, from his experience at Washington.<sup>9</sup>

<sup>7</sup> See Nos. 22, 23, and 25.

<sup>8</sup> There is no record of informal talks with the Russians in the Foreign Office archives.

<sup>9</sup> Sir M. Hankey had been a member of the British delegation to the Washington Conference (see Vol. XIV, Chap. VI).

SIR MAURICE HANKEY pointed out that the debates at Washington had been somewhat protracted, and that the conference had lasted about three months.

MR. LLOYD GEORGE pointed out that at the League of Nations the real business was done by the Council, which was a small body on which the small Powers were not all represented. He suggested that the committees might be composed as follows:—

The convening Powers (two delegates each)	..	10
Germany .. .. .	..	1
Russia .. .. .	..	1
The Little Entente .. .. .	..	1
Neutrals .. .. .	..	1
		—
Total ..		14

M. SCHANZER said the Baltic States would expect to have a representative.

MR. LLOYD GEORGE suggested that the Baltic States might go with the Little Entente. If there were four committees, each constituted on this principle, it would give a fair representation to the smaller States.

M. SCHANZER said he did not oppose this view, but he was afraid the small Powers would not accept it.

THE MARQUIS VISCONTI VENOSTA<sup>10</sup> suggested that the representation of the smaller Powers could be distributed between the four committees.

M. SCHANZER said that if certain States were excluded from the Political Committee they would protest.

THE MARQUIS VISCONTI VENOSTA suggested that there might be five representatives of the smaller States in each committee, so that all would be represented somewhere.

M. SCHANZER said that in that event questions would merely be transferred from the committees to the plenary session, where Powers which had been excluded would wish to ventilate their views.

MR. LLOYD GEORGE asked M. Schanzer to consider what was the object of the committees. If every State was to be represented on every committee he did not see what object there was in establishing them. No business could be transacted in such large bodies, and he wanted to get through the business at Genoa expeditiously. At Washington there had been plenty of time, and the Americans had not minded how long the conference was kept going. That was impossible in Europe at the present time. Consider the Political Committee, for example. The larger States would require to be represented by their Prime Minister and Foreign Secretary. If all the other States were represented it would form a regular Parliament. He was inclined to agree with the Marquis Visconti Venosta that the smaller States should be distributed, so as to obtain representation on one or other of the committees. If necessary, a new committee might be created to absorb some of

<sup>10</sup> A member of the Italian Foreign Office; Marquis Visconti Venosta had been secretary general to the Italian delegation at Washington.

them. He recalled that at the Paris Peace Conference it had often been necessary to ask the smaller States to agree to elect two representatives for a number of them. He admitted, however, that this had sometimes formed the object of protests.

MR. SCHANZER said the small States would make adverse comparisons between the Genoa conference and the League of Nations, where they were all represented.

MR. LLOYD GEORGE said that this was one of the reasons why the League of Nations had not accomplished more.

M. SCHANZER said it might be possible to make an exception in the case of the Political Committee, and to confine representation thereon to the Great Powers.

MR. LLOYD GEORGE suggested that in addition there should be one representative for neutrals and one for the Little Entente.

M. SCHANZER summed up that the Political Committee might be composed as follows:—

The convening Powers	..	..	..	2 delegates each.
Germany	..	..	..	1 delegate.
Russia	..	..	..	1 delegate.
The Little Entente and Baltic States	..			1 delegate.
Neutrals	..	..	..	1 delegate.

The matter could be finally decided, however, the day before the Genoa Conference opened.

MR. LLOYD GEORGE agreed.

#### *Proposed Preliminary Meeting of Convening Powers.*

8. He would be very glad if the convening Powers could meet the day before the Genoa conference opened, in order to discuss the procedure. He understood that the arrangement at present contemplated was that M. Facta should make a general statement of welcome, M. Poincaré should make a speech, which would necessarily be from his own point of view, while he made a speech from another point of view. He thought that it would be a good thing if this were followed by a general discussion. He would not mind devoting the first day, or even two days, to this. Let all the States have their say; then they would not feel they had come to Genoa for nothing.

M. SCHANZER agreed that it would be useful to obtain the different political points of view.

MR. LLOYD GEORGE said that if he and M. Schanzer changed their minds they could arrange matters at the proposed preliminary meeting.

M. SCHANZER said he would put Mr. Lloyd George's suggestion to M. Facta.

MR. LLOYD GEORGE said he would like to have the preliminary meeting on the 9th April. He would like Belgium to be represented there. The meeting might be composed of the representatives of the convening States, namely, Italy, Great Britain, France, Japan, Belgium. The meeting should

be held on the 9th for preliminary discussion on procedure, and should be informal in character.

M. SCHANZER said he would inform the other States.

THE MARQUIS VISCONTI VENOSTA suggested that perhaps they should not be informed too soon, as it might awaken jealousy in other States.

MR. LLOYD GEORGE suggested that M. Schanzer should let France know informally.

M. SCHANZER said he would take the opportunity of M. Jaspar's visit to Rome to let the Belgians know also.

MR. LLOYD GEORGE urged that this should be done informally.

THE MARQUIS VISCONTI VENOSTA suggested that the newspapers should not be informed.

MR. LLOYD GEORGE agreed. The preliminary conference should be informal in character. He asked when it was proposed to open the Genoa conference, on the morning or the afternoon of the Monday?<sup>11</sup> If everything was got ready on the Sunday and general agreement was reached, he thought it might be in the morning; otherwise, in the afternoon.

M. SCHANZER asked if Mr. Lloyd George had any more suggestions to make.

MR. LLOYD GEORGE said he wanted to have a business conference at Genoa.

After some short further discussion, in which M. SCHANZER again made allusion to the comparisons that the smaller States would make between the Genoa conference and the League of Nations, the proceedings terminated.

2, Whitehall Gardens, S.W.1, March 27, 1922.

<sup>11</sup> April 10.

## No. 55

*Lord Hardinge (Paris) to the Marquess Curzon of Kedleston*

*No. 772 [C 4630/458/62]*

My Lord,

PARIS, March 28, 1922

With reference to Foreign Office telegram No. 107 of the 26th March<sup>1</sup> on the subject of a projected resolution of the Council of the League of Nations respecting the Genoa Conference, I have the honour to inform your Lordship that I learnt this morning from the secretariat of the League that the resolution in question would not be put on the agenda, and that it was likely that His Majesty's Embassy would receive from London a further communication dealing with this matter as a result of the meeting between the Prime Minister, Mr. Fisher and M. Schanzer last night.<sup>2</sup>

<sup>1</sup> No. 53, n. 6.

<sup>2</sup> The meeting presumably took place after that recorded in No. 54.

Accordingly, Sir Milne Cheetham, whom I had deputed for this purpose, did not, in the circumstances described above, attend the private meeting of the Council this morning. It appears, nevertheless, that M. Bourgeois did submit to the Council the proposal previously laid before your Lordship by M. Poincaré.<sup>3</sup> This proposal was not, however, accepted by any other member of the Council. In its place the Council adopted, on the initiative of the Italian representative, a resolution, copy of which is enclosed, authorising the secretary-general of the conference to make preparations to provide such technical assistance as might be requested by the Conference of Genoa. Copy of the proposal of the Italian Government is also enclosed.

As a consequence of this reception of the French proposal, M. Bourgeois made at the open sitting (at which Sir M. Cheetham was present in the afternoon) a declaration to the effect that the French Government had already publicly given their adhesion to the views which he had advocated. I transmit a copy of the text of this declaration.

I have, &c.

HARDINGE OF PENSHURST

ENCLOSURE 1 IN No. 55

*Resolution Adopted*

Prenant acte de la proposition du Gouvernement italien, le Conseil de la Société des Nations autorise le Secrétaire général à prendre les mesures nécessaires pour donner éventuellement à la Conférence de Gênes le concours technique qui lui sera demandé dans la mesure où le permettent les travaux dont le Secrétaire général a la responsabilité.

ENCLOSURE 2 IN No. 55

*Italian Proposal*

Le Gouvernement italien prie le Conseil de la Société des Nations d'envoyer à la Conférence de Gênes des représentants des organisations techniques de la Société pour le transport, les questions économiques et les questions financières et certains membres du personnel du Secrétariat général, en vue d'apporter éventuellement le concours de leur compétence et de leur documentation aux commissions de la conférence.

ENCLOSURE 3 IN No. 55

*Déclaration par M. Léon Bourgeois, au nom du Gouvernement français*

Le représentant de la France a l'honneur de rappeler, au nom de son Gouvernement, que celui-ci a déjà déclaré publiquement qu'il estime que la Société des Nations devrait être chargée, sous réserve de la décision de la Conférence de Gênes à ce sujet, de l'application et de l'exécution des recommandations de la conférence dans la mesure où elles touchent à des objets rentrant dans les attributions que le pacte a confiées à la Société des Nations.

<sup>3</sup> See No. 53.

*Report<sup>1</sup> of British Committee on the Work of the Meetings of the Experts of the Inviting Powers*

BOARD OF TRADE, March 28, 1922

(A)—General.

(B)—Russian Proposals.

(C)—Reconstruction of Europe.

(A)—*General*

The meeting of British, French, Belgian, Italian and Japanese experts,<sup>2</sup> summoned to exchange views on the proposed agenda of the Genoa Conference, met at the Board of Trade on the morning of Monday, the 20th March, under the chairmanship of Sir Sydney Chapman. The conference sat continuously till the afternoon of Tuesday, the 28th March, when the final report attached herewith was adopted.

It was made clear at the outset that the function of the experts was confined to an exchange of views, which were to be regarded as non-committal and in no sense as carrying Government authorisation.

The conference aimed at achieving the greatest common measure of agreement, and, in view of all the circumstances, a satisfactory amount of agreement was reached. Apart from the Russian question, there was no very marked grouping among the experts, though naturally the different economic situations of the respective countries led to certain differences of opinion as to what was immediately feasible and desirable.

(B)—*Russian Proposals*

Although a great measure of agreement has been reached on the Russian problem, it must be pointed out that this agreement was only reached by 'reserving' the larger issues on which any marked difference of opinion arose.

As already indicated, the purely political questions of *de jure* recognition and of existing treaties were not discussed at all; nor, of course, was the question of disarmament raised. But various other political and semi-political questions arose, upon which the attitude of the various experts was pretty clearly defined. The most important of these points are referred to below.

*Form of Conditions.*—The original British proposals<sup>3</sup> had been drafted in the

<sup>1</sup> A copy of this report of the British Committee, and of the Experts' Report here printed as an appendix, are preserved in the Foreign Office archives at C 4781/458/62 and N 3061/646/38 respectively.

<sup>2</sup> Many experts attended some or all of the meetings. Among the experts were:  
Great Britain: Sir Sydney Chapman, *Chairman*, Mr. J. D. Gregory, Mr. R. G. Hawtrey.  
Belgium: M. Cattier, M. Galopin.  
France: M. Seydoux, M. Chasles, M. Avenol, M. du Halgouet, M. de Chevilly.  
Italy: Signor Giannini, Signor Jung.  
Japan: M. Tokugawa, M. S. Arai, M. T. Okubo, M. T. Okamoto.

<sup>3</sup> See No. 40.

form of articles of agreement, but the French took exception generally to any discussion on the basis of an assumed treaty, and in particular to considering reciprocity in any way. The final words adopted in the draft were:—

‘The question of the instrument by which effect could be given to these conditions and to contingent provisions has not been considered, nor the relation of any such instrument to existing trade agreements with Russia.’

Thus the door was left open on both issues.

The draft now put forward consequently takes the form of conditions under which trade with Russia can be resumed, but, broadly speaking, it corresponds with the conditions in this respect incorporated in the articles prepared by the British. In some cases a more general phraseology has been adopted in order to leave open certain questions on which there were differences of opinion; and there are one or two matters of importance referred to below on which agreement was not reached.

*Division of Responsibility for the Russian Debt.*—When the debt provisions were referred to the Drafting Committee, the French delegate desired the clauses to be so worded that they would not prevent the assumption by Poland and the other succession States of Russia of a share of the Russian debt. The Italian and Japanese delegates wished to include some reference to the *subsidiary Soviet States*. Both these questions were dealt with by the addition of two notes, but it is expected that the French will press for the assumption of a share of the Russian debt by the new States.

*Debt Commission.*—There was a marked difference of opinion between the British and the Italian representatives on the one side and the French and Belgian on the other as regards both the functions and the composition of the Debt Commission. The experts of the latter Powers desired that the Debt Commission should have very wide powers over Russian Government finance, which the British and Italian experts wished to avoid. No agreement was reached on this question. The French, supported by the Belgians, were at first inclined to think that the Debt Commission should be composed entirely of the creditor States, whereas the British and Italian proposal was for equal representation of the creditor States on the one hand and of Russia on the other. In the end Russian representation was generally accepted, but the relative numbers were left undefined.

*Security for the Debt.*—The French and Belgian delegates further wished to give the Debt Commission power to select particular assets to be assigned as security for the Russian debt, whereas the British and Italian delegates preferred that the debt should simply be secured on the whole assets of the Russian State. Alternative articles to meet these two points of view were included where necessary in the annexes.

*Private Debts.*—There is another point to which attention should be called. The clause relating to private claims as it now stands requires the claimant to prove (*a*) that he has suffered loss and (*b*) that his loss is due to the action or negligence of the Russian Government. The British draft provided in addition that the Russian Government should pay foreign



nationals for goods and services supplied to Russia for which they had not been paid (whether the loss was due to the action or negligence of the Russian Government or not), and that foreign Governments should assume a corresponding liability. This repeats a clause in the British trade agreement.<sup>4</sup> Most of the experts felt a difficulty about the corresponding liability (though it was laid down in our draft that it could be discharged in Russian bonds), and all the foreign experts objected to the principle of converting private debts into public obligations, and were of opinion that substantial justice would be done without any addition to the clause as it now stands.

Decision is needed as to what the British attitude should be at Genoa in view of the clause in our trade agreement.

*Other Provisions.*—Clauses were agreed providing for the establishment of a satisfactory system of justice and of civil and criminal courts for the protection of the person and property of foreigners trading in Russia, and for granting necessary trading, transport and other facilities.

*Guarantees for the Transition Period.*—The French and Belgian representatives laid great stress upon the necessity for special arrangements to protect the person and property of foreigners returning to Russia until such time as the situation there had improved. The proposals upon this subject which they put forward have, so far as they were adopted, been incorporated in the draft simply as provisions by which the speedy restoration of Russia would be facilitated, but in the French and Belgian mind some of them are primarily as essential as any of the measures proposed.

*Other Matters.*—To the articles relating to Russia is prefixed a preamble in which reference is made to a number of points which certain of the experts desired mentioned but which could not satisfactorily be incorporated in the articles.

#### (C)—*Restoration of Europe (Financial, Economic and Transport Resolutions)*

The British proposals under this heading have been agreed upon without much alteration. Difficulties were felt about the immediate adoption of a currency convention, the text of which has consequently disappeared from the final report, although there is a recommendation for an international agreement at a suitable time.

There was general agreement on the proposals embodied in the credit and exchange resolutions, but the support of the French representatives to the international corporation was subject to the reservation that they could not commit the French Parliament to a guarantee of the capital. Nor could they agree that restrictions on exchange transactions for the purpose of preventing the export of capital were 'futile and mischievous'.

As regards the economic resolutions, the proposals adopted are substantially those put forward by the British representatives. The Italian representatives put forward a far-reaching proposal for a universal grant during a limited period of most-favoured-nation treatment in customs

<sup>4</sup> Sec No. 31, n. 1.

matters, but the French refused to accept any such scheme, which was accordingly not discussed in detail.

No attempt has been made to draft a convention embodying the financial, economic and transport resolutions, but it is stated in the report that the substance of the resolutions is capable of being so dealt with if it is finally decided at Genoa to endeavour to conclude such a convention.

A list of those who attended is attached.<sup>5</sup>

S. J. C[hapman]

## APPENDIX TO NO. 56

### [CP 3902] *Preliminary Meetings for the Genoa Conference*

#### EXPERTS' REPORT<sup>6</sup>

The economic and financial experts of the Powers responsible for the summoning of the conference at their meeting for the exchange of views, after examining together a number of suggestions and schemes, have prepared draft resolutions embodying the ideas and proposals which met with general acceptance.

The drafts are set forth in the pages of this report arranged under the following headings:

#### PART I—*Russia*

Section I—Preamble

Section II—Conditions under which foreign enterprise and capital can be enlisted for the restoration of Russia

Chapter I—Liquidation of past obligations

Chapter II—Provision for the future

Section III—Measures by which the speedy recovery of Russia would be facilitated

#### PART II—*Restoration of Europe*

Section I—Financial provisions

Section II—Economic provisions

Section III—Transport provisions

#### PART I—*Reconstruction of Russia*

##### SECTION I—*Preamble*

The question of Russia has been approached both from the point of view of what is equitable and from the point of view of what is necessary for the economic restoration of Russia.

The economic restoration of Russia is largely dependent upon her enlisting the support of foreign enterprise and capital. Without a considerable transformation of the prevailing conditions which affect particularly trade and industry,

<sup>5</sup> Not printed. See n. 1.

<sup>6</sup> On April 6, the Foreign Office transmitted 50 copies of the English text of this report to the French, Italian, Belgian, and Japanese Governments, and also 100 copies of the French text (150 copies in the case of the French Government), with apologies for the delay.

foreigners will be reluctant either to return to their former undertakings or to start fresh undertakings. So long as precarious and unstable conditions continue, only speculators will be willing to venture on trade, and there is a fear that the chief result would be, not the reconstruction, but the exploitation of Russia and the Russian people, which it is the purpose of the Governments represented at Genoa to avoid.

Effective co-operation between Russia and other European countries will be difficult to realise unless a determination is shown in Russia to set to work wholeheartedly to restore the economic life of Russia. The foundation is agriculture, and here, no less than elsewhere, security both in respect of holdings and of the disposal of crops is an essential pre-requisite of revival. Once this security is realised, there is no doubt that foreign help will be forthcoming in the shape of agricultural implements and loans.

In the industrial sphere it is even more apparent that revival cannot be expected in the absence of foreign assistance and capital, which will only become available when the goodwill and co-operation of the Russian Government can be relied upon. Active measures will be necessary for the protection and liberty of action of employers, their employees, and for the protection of their industrial operations and their capital, combined with the right to hold the movable and immovable property necessary for the conduct of business and with the liberty to import what is requisite and to dispose of the products of their undertakings. Much the same may be said of transport, in which case foreign firms will have to be relied upon for the furnishing of material and plant, including fresh rolling-stock, and the setting up of repair shops; and it needs no emphasis that the reorganisation of transport is essential to the industrial and agricultural recovery of Russia.

The question of the instrument by which effect could be given to these conditions and to contingent provisions has not been considered, nor the relation of any such instrument to existing trade agreements with Russia. These, with certain other questions, have been reserved as political. Indications are given in the drafts which follow of some of the points reserved.

## *Section II—Conditions under which Foreign Enterprise and Capital can be enlisted for the Restoration of Russia*

The section is divided into two chapters:

Chapter I—Liquidation of past obligations.

Chapter II—Provisions for the future.

### CHAPTER I

NOTE.—It will be understood that the proposals drafted relating to claims (articles 1–7 and the annexes) are without prejudice to any advice which Governments may think fit to obtain from the parties interested in the settlement, whether as being entitled under contracts with former Russian Governments or as having suffered loss since the events of 1917.

### ARTICLE I

The Russian Soviet Government shall accept the financial obligations of its predecessors, viz., the Imperial Russian Government and the Russian Provisional Government, towards foreign Powers and their nationals.

NOTE.—The question whether the title 'Russian Soviet Government' applies only to the Soviet Government at Moscow or should include all other Soviet Governments in Russia is a political one which it is for the Governments to decide. Similarly, no precise definition is attributed to the words 'Russia' and 'Russian'.

The same applies to the question whether, and, if so, to what extent, new States which have been recognised as such and which were formerly part of Russia, as well as States which have acquired part of the former territory of Russia, should undertake part of the obligations dealt with in these provisions.

#### ARTICLE 2

The Russian Soviet Government shall recognise the financial engagements entered into before this date by all authorities in Russia, provincial or local, or by public utility undertakings in Russia, with other Powers or their nationals, and shall guarantee the fulfilment thereof.

#### ARTICLE 3

The Russian Soviet Government shall undertake liability for all actual and direct losses, whether arising out of breach of contract or otherwise, suffered by nationals of other Powers, due to the action or negligence of the Soviet Government or its predecessors or of any provincial or local authorities, or of an agent of any such Government or authority.

#### ARTICLE 4

The liabilities under the preceding articles will be determined by a 'Russian Debt Commission' and by 'Mixed Arbitral Tribunals' to be set up. A scheme for the establishment of these bodies is contained in Annexes I and II. They shall determine the amount and method of payment to be made, whether by way of compensation or otherwise as laid down in Annexes I-III.

#### ARTICLE 5

All inter-governmental debts, liabilities and obligations of every sort which arose between the Russian Government on the one hand and a foreign Government on the other hand after the 1st August, 1914, shall be considered to be completely discharged by the payment of the net sums laid down in a schedule to be agreed.

#### ARTICLE 6

Without prejudice to the provisions of article 116<sup>7</sup> of the Treaty of Versailles, the net sums fixed under article 5 shall take into account all claims by Russian nationals for loss or damage arising directly from hostile military or naval operations, or from other operations of a similar nature and any other claims specified at the time of the adoption of the schedule referred to in article 5.

<sup>7</sup> This article ran: 'Germany acknowledges and agrees to respect as permanent and inalienable the independence of all the territories which were part of the former Russian Empire on August 1, 1914.

'In accordance with the provisions of Article 259 of Part IX (Financial Clauses) and Article 292 of Part X (Economic Clauses), Germany accepts definitely the abrogation of the Brest-Litovsk Treaties and of all other treaties, conventions and agreements entered into by her with the Maximalist Government in Russia.

'The Allied and Associated Powers formally reserve the rights of Russia to obtain from Germany restitution and reparation based on the principles of the present Treaty.'

## ARTICLE 7

Balances standing to the credit of a former Russian Government in any bank situate in a country the Government of which made advances to a former Russian Government between the 1st August, 1914, and the 7th November, 1917, shall be transferred to the Government which made the advances, and the liability of the Russian Soviet Government in respect of the advances shall be *pro tanto* reduced.

The transfer provided for in the preceding paragraph shall not prejudice the rights of third parties.

This article shall also apply in the case of any country the Government of which has assumed responsibility for any Russian Government loan floated in that country in the period named.

## ANNEXES

NOTE.—With regard to the security on which the Russian debt is in future to be charged, two solutions have been put forward by different delegations. They are shown, where necessary, in parallel columns<sup>8</sup> in Annexes I–III. Agreement has not been arrived at in favour of either of these two solutions or of any of the numerous intermediate solutions which might be devised.

## ANNEX I

### *Russian Debt Commission*

1. A Russian Debt Commission shall be established consisting of members nominated by the Russian Government and members nominated by the other Powers, together with an independent chairman chosen from outside by agreement among the other members, or, in default, named by the League of Nations, either through the Council or through the Permanent Court of International Justice.

2. The commission will have the following functions:

- (a) To constitute and prescribe the procedure of the Mixed Arbitral Tribunals, to be set up in accordance with the provisions of Annex II, and to issue such instructions as may be necessary in order to secure uniformity in their proceedings.
- (b) To issue new Russian bonds in accordance with the provisions of Annex II to persons entitled thereto, under awards of the Mixed Arbitral Tribunals, to holders of existing State bonds and other bonds and stock for which the new Russian bonds are to be given in exchange, and to persons entitled thereto in respect of funded interest and repayment of capital. The rate of interest adopted for the purpose of calculating the present value of claims shall be the same as that prescribed under Annex III, paragraph 2.
- (c) To determine all questions arising out of the issue, rates of interest and terms of redemption of the new Russian bonds referred to in paragraph (b).
- (d) *To determine, if necessary, among the revenues of Russia, those which should be specially assigned to the service of the debt, for example, an allocation of certain taxes or of royalties or dues upon undertakings in Russia.*

*Should occasion arise to control, if the commission thinks fit, the collection of all or part of these assigned revenues, and to deal with the proceeds.*

*These assignments and this control (if imposed) should cease as soon as the Russian debt service appears adequately assured by the inclusion of the appropriate sums in the Russian budget.*

<sup>8</sup> Here shown by italics in brackets.

## ANNEX II

### *Determination of Claims*

1. The liabilities of the Russian Government under articles 1 to 3 shall be assessed in accordance with the following principles:

2. The responsibility for claims provided for in article 3 shall be determined by the Mixed Arbitral Tribunals in accordance with the provisions of this report, and in default with the general principles of international law.

3. Russian Government bonds in foreign currencies will be revived with all the conditions of the contract, but interest and repayment of capital due from the date when payments ceased until (the 1st November, 1927) will be funded (*and the bonds will be secured in the same way as the new Russian bonds in accordance with Annex III, 5.*)

4. Provincial, municipal, railway or public utility bonds in foreign currencies will be revived with all the conditions of the contract, but interest and repayment of capital due from the date when payment ceased until (the 1st November, 1927) will be funded. All such bonds shall be guaranteed by the Soviet Government whether guaranteed by any former Government of Russia or not, (*and the bonds will be secured in the same way as the new Russian bonds in accordance with Annex III, 5.*)

5. Russian Government rouble loans or provincial, municipal, railway or public utility bonds issued in roubles will, if proved to have been continuously in foreign ownership since the date of repudiation by the Russian Government, be exchangeable into new Russian bonds.

The present value of the obligations in respect of capital and interest embodied in the original bond, in so far as they have not been fulfilled, shall first be calculated in roubles, and then converted into the foreign currency at the rate determined in paragraph 16. The present value of the new bond should be equal to the present value in the foreign currency of the original bond, interest being calculated at the rate to be prescribed under the provisions of Annex III, 2.

6. New Russian bonds will be issued in respect of funded interest and capital due for repayment between the date when payment ceased and (the 1st November, 1927).

7. Claims not provided for under paragraphs 3 to 5 of this annex in respect of injury to property, rights and interests shall, subject to any agreements between the Soviet Government and such of the other Powers as may be concerned, be dealt with on the following principles:

Claimants will be entitled to demand the return of the property, rights and interests.

If the property, rights or interests are still in existence and capable of identification, they will be returned and compensation for their use or for injury thereto during the dispossession will, in default of agreement between the Soviet Government and the private party concerned, be settled by the Mixed Arbitral Tribunals. Agreements for concessions in relation to public utility undertakings shall be modified so as to be brought into harmony with present economic conditions, for example, as regards charges, duration of concessions and conditions of operation.

If the property, rights and interests are not still in existence or cannot be identified, or the claimant does not desire their return, the claim may, by agreement between the Soviet Government and the private party concerned, be satisfied either by the grant of similar property, rights or interests, coupled with compensation to be agreed, or, failing agreement, to be fixed by the Mixed Arbitral Tribunals, or by any other agreed settlement.

In all other cases claimants shall be entitled to compensation on a monetary basis, to be fixed by the Mixed Arbitral Tribunals.

NOTE.—In the opinion of the experts, it may be necessary to add some condition in the case of claims for destruction, loss or damage of property, rights or interests which were acquired subsequent to the events of 1917. It might be desirable to give the Mixed Arbitral Tribunals a discretion, in some case at any rate, to take the matter into account when they are satisfied that the price at which the property was acquired renders payment of compensation on the basis of the full value of the property inequitable.

8. The tribunal, in assessing compensation, shall take account primarily of the actual value in roubles of the property, rights or interests at the 1st November, 1917, but may make allowance for any temporary and special circumstances which may at that time have materially affected the value.

9. Where a debtor is entitled, or, if he had been a national of one of the other Powers, would have been entitled, to claim compensation under Chapter I, the creditor may (whether the debtor has claimed compensation or not) make a direct claim against the Soviet Government in respect of the loss arising from his unpaid debt instead of against the debtor.

Any property restored in accordance with paragraph 7 shall be subject to any charges or obligations attaching thereto upon the 1st November, 1917, without prejudice to the rights of creditors to make a direct claim against the Soviet Government.

10. Any liability met by the Soviet Government under the preceding paragraph will be set off against the compensation payable to the debtor; but if the Soviet Government has already paid the compensation to the debtor, it may recover from the debtor the amount paid to the creditor, but the liability of the former may be discharged in new Russian bonds.

11. Russian financial, industrial and commercial companies, which on the 1st November, 1917, were controlled by nationals of other Powers, or in which at the same date such nationals possessed a substantial interest, shall, if the majority of the foreign interests (shareholders and bondholders) so desire, be covered by the term 'nationals of other Powers' wherever used in Chapter I and the annexes.

12. In cases in which a claim is not made under the preceding paragraph or other provision of this chapter or its annexes any national of the other Powers who is a shareholder in any Russian company whatever may claim compensation in accordance with article 3 for the injury done to his holding in the company.

13. Claims, excluding those referred to in paragraphs 3–5 above, but including claims for monetary compensation arising from death or personal injury, shall be referred by the commission for adjudication and assessment on a monetary basis as promptly as possible by Mixed Arbitral Tribunals.

14. All claims shall be registered with the Russian Debt Commission, and options shall be exercised within one year from the establishment of the commission or such longer period as may be permitted by the commission for particular cases or classes of cases. The Russian Soviet Government shall not be liable in respect of any claim not registered within the prescribed period.

15. No claim shall be recognised in respect of rights which had ceased legally to exist before March 1917.

16. The rates of conversion between paper roubles and the various foreign currencies will be fixed by the Russian Debt Commission at the time of issuing

the new Russian bonds. For this purpose the commission will first ascertain the average gold value of the rouble in October 1917, and will then calculate the equivalent of that gold value in each of the foreign currencies at the time of the issue of the bonds.

17. Interest at the rate prescribed under paragraph 2 of Annex III shall accrue as from the 1st November, 1917, on all amounts awarded by the tribunal.

### ANNEX III

#### *New Russian Bonds*

1. All accepted claims for monetary compensation against the Russian Soviet Government will be met by the issue of new Russian bonds up to the amounts fixed by the Mixed Arbitral Tribunals. The terms of issue of the bonds, together with all questions arising out of the conversion of existing bonds, and out of the new issues, will be determined by the Russian Debt Commission.

2. The bonds shall carry a rate of interest to be determined by the Russian Debt Commission. They shall be free both as to interest and capital from all Russian taxation, both present and future, and shall be subject to redemption by annual drawings.

3. In general the bonds will be expressed in the currency of the holder's country. Nevertheless the Debt Commission may allow him, if he so requests, to take bonds in the currencies of certain specified countries.

4. In order to determine the value of the bonds for any payment under these provisions the bonds shall be discounted at the rate of interest prescribed under paragraph 2 above.

5. The bonds shall be a charge on the whole assets of the Russian State. (*The bonds shall be a charge, primarily upon assets selected by the Russian Debt Commission in accordance with Annex 1, 2 (d), and secondarily on the whole assets of the Russian State.*)

6. Interest shall be funded and the Russian Soviet Government shall not be required to redeem any bonds until the (1st November, 1927). It shall be within the competence of the Debt Commission to issue bonds of a special series in respect of funded interest. Any such interest bonds shall carry the same rights and be in all respects the same as the new Russian bonds, except for a preferential right for redemption during the moratorium period if any redemption be then possible.

7. The Russian Soviet Government shall be permitted to make drawings, if it desires to do so, before the expiration of the moratorium period, giving priority to the interest bonds. (*The Russian Debt Commission will decide whether the yield of the assigned revenues permits of drawings before the expiration of the moratorium period; in such drawings priority shall be given to the interest bonds.*)

### CHAPTER II—(A) *Administration of Justice*

#### ARTICLE 8

The Russian Soviet Government shall undertake to provide for the good administration of justice in accordance with the following principles:

- (1) Independence of the judicial authority vis-à-vis the executive authority.
- (2) Administration of justice in public by professional judges who must be independent and irremovable.
- (3) The law to be applied must be known and published; it shall be equal



between persons and have no retroactive effect. It shall afford adequate guarantees to foreigners against arbitrary arrests and domiciliary visits.

- (4) Foreigners shall have free access to the courts and no disability shall attach to foreigners as foreigners; they shall be entitled to be represented before the courts by counsel of their own choosing.
- (5) The rules of procedure to be observed in the courts shall be such as to facilitate the thorough and rapid administration of justice. The right of appeal and of new trial shall be assured.
- (6) The parties to a contract shall have the right to provide [that] foreign law shall apply; the courts must in such case apply that law.
- (7) Just procedure shall be established in order to ensure the execution of valid foreign judgments, including judgments of foreign courts based on a provision in a commercial contract conferring jurisdiction on that court.
- (8) The validity of a clause in contracts for the arbitration of any or all disputes arising therein shall be recognised and shall be made for enforcing arbitration awards, including those given in a foreign country.

(B)—*Conditions of Residence and Trade in Russia*

ARTICLE 9

The Russian Soviet Government shall undertake to permit the entry and egress of foreigners into and from its territory in accordance with the usual practice of States.

ARTICLE 10

Foreigners while sojourning in Russia shall be exempted from all kinds of compulsory services and from any contributions whatever imposed as an equivalent for personal service; they shall not be subject to any forced loans.

ARTICLE 11

Foreigners shall be at liberty to communicate freely by post, telegraph or wireless telegraph, and to use telegraph codes under the conditions and subject to the regulations laid down in the International Telegraph Conventions.

ARTICLE 12

Foreigners shall enjoy all protection, rights and facilities which are necessary to enable them to carry on any permitted trade, profession or occupation in accordance with the usual practice of States; they shall not be subject to any discriminating legislation or restrictions on account of their nationality. They shall not be compelled to join any local organisation.

ARTICLE 13

No discrimination against the workmen employed in undertakings belonging to foreigners or directed by foreigners shall be exercised in respect of military service, or forced labour; nor shall any taxation be levied in lieu thereof.

ARTICLE 14

Foreigners shall have adequate facilities for travelling on Russian railways, roads and waterways, and for the carriage of their goods and merchandise. These facilities shall not be less than those accorded to Russian Government enterprises or Russian nationals, and shall be applied without discrimination.

#### ARTICLE 15

Requisitions shall not be imposed save in exceptional circumstances and subject to adequate compensation payable at the time.

#### ARTICLE 16

Foreign companies and associations duly constituted shall be allowed to carry on any business open to foreigners in Russia, and for this purpose shall have the same rights as private individuals, including that of appearing before the tribunals.

#### ARTICLE 17

Foreign firms or individuals, and also foreign companies and associations, carrying on any permitted trade, profession or occupation in Russia shall be subject to no higher taxation than is borne by Russian nationals.

The system of taxation shall not in practice impose on branches of foreign companies carrying on permitted trades, professions and occupations in Russia any greater burden of taxation than on similar businesses carried on there by Russian companies.

#### ARTICLE 18

The Russian Soviet Government shall be invited to become a party to the international conventions for the protection of industrial, literary and artistic property.

#### (C)—*Treaties and Conventions*

NOTE.—All questions concerning political treaties and conventions are reserved.

#### ARTICLE 19

The multilateral conventions and agreements of an economic, technical or legal character to which the former Russian Governments were parties shall be regarded as still binding on Russia.

#### ARTICLE 20

Contributions owing by Russia in respect of the upkeep of any central bureau or office established by any treaty or convention referred to in article 19 shall be paid. All other claims by or against Russia arising out of the non-fulfilment of the provisions of such treaties or conventions shall be waived.

#### ARTICLE 21

Subject to the provisions contained in Chapter I, any bilateral treaties conventions or agreements of an economic, technical or legal character between Russia and a foreign Power not already denounced shall not be regarded as having lost their force, but their continuance shall be dealt with independently between Russia and the Power concerned.

#### Section III.—*Measures by which the Immediate Restoration of Russia would be Facilitated*

The re-starting at the earliest moment of undertakings of all kinds, which belonged to foreigners before the events of 1917 and the establishment of fresh undertakings, would be of the greatest assistance in bringing about the speedy reconstruction of Russia.

This being so, in the present situation the speedy recovery of Russia would be facilitated by the following:—

#### ARTICLE 22

Foreigners, who enter Russia to practice their profession, trade, industry or occupation, shall be free to import into Russia such food, apparel and tools as are necessary for their personal use, and these shall not be liable to any kind of requisition.

They may, under the same conditions, import food and apparel for the exclusive use of their staffs or of the workmen whom they employ, whether Russian or foreign. The same shall apply especially to medicines, surgical dressings, &c., which they may need for themselves and for their staff.

#### ARTICLE 23

The visa of passports by the competent Russian authorities shall confer on holders complete protection by the Russian authorities, and the free exercise of their industry, trade, occupation or profession.

#### ARTICLE 24

No domiciliary search may be made in the residence or establishment of a foreigner settled in Russia, nor may his arrest be carried out without the assistance or consent of his consul.

In the case of an appearance before a Russian court on a criminal charge, judgment can only be carried out with the consent of the consul concerned.

The only punishment that may be inflicted as a result of a prosecution on political grounds is expulsion, subject to the above condition.

#### ARTICLE 25

Undertakings belonging to foreigners or directed by them shall be worked under conditions of freedom, including freedom of engagement or discharge of workmen subject only to the application of laws of hygiene, and to conditions of labour in accordance with the general practice of other countries.

In case of need, wages shall be fixed by committees representing employers and employed.

#### ARTICLE 26

The acquisition in Russia and abroad of all products and raw material necessary for the restoration of industry and their transport shall be specially facilitated by the Russian Government.

#### ARTICLE 27

Duties, taxes and other charges on the industry, trade or occupations of foreigners settled in Russia shall not be such as to prevent a reasonable return on invested capital.

#### ARTICLE 28

Free zones shall be created in a certain number of ports.

### PART II.—*Restoration of Europe*

The drafting of a convention has not been attempted, but the resolutions are in such a form that their substance could, if it were thought desirable, be embodied in a convention.

The resolutions are arranged in three groups, viz

Section I—Financial.

Section II—Economic.

Section III—Transport.

Section I.—*Financial Section.*

Chapter I—*Currency*

ARTICLE 29

An essential requisite for the economic reconstruction of Europe is the achievement by each country of stability in the value of its currency. No country can gain control of its own currency so long as there is a deficiency in the annual budget which is met by the creation of paper money or bank credits. It is for every country to overcome such a deficiency by its own independent efforts; only then will its way be open to currency reform.

ARTICLE 30

Measures of currency reform will be facilitated if the practice of continuous co-operation among central banks can be developed. A permanent association or entente for the co-operation of central banks, not necessarily confined to Europe, would provide opportunities of co-ordinating credit policy, without hampering the freedom of the several banks. It is suggested that an early meeting of representatives of central banks should be held with a view to considering how best to give effect to this recommendation.

ARTICLE 31

It is desirable that all European currencies should be based upon a common standard.

ARTICLE 32

Gold is the only common standard which all European countries could at present agree to adopt.

ARTICLE 33

In a number of countries it will not be possible for some years to restore an effective gold standard; but it is in the general interest that European Governments should declare now that this is their ultimate object, and should agree on the programme by way of which they intend to achieve it.

ARTICLE 34

In each country the first step towards re-establishing a gold standard will be the balancing of the annual expenditure of the State without the creation of fresh credit unrepresented by new assets.

ARTICLE 35

The next step will be to determine and fix the gold value of the monetary unit. This step can only be taken in each country when the economic circumstances permit; for the country will then have to decide the vital question, whether to adopt the old gold parity or a new parity approximating to the exchange value of the monetary unit at the time.

#### ARTICLE 36

These steps might by themselves suffice to establish a gold standard, but its successful maintenance would be materially promoted, not only by the proposed association or entente of central banks, but by an international convention to be adopted at a suitable time. The purpose of the convention would be to centralise and co-ordinate the demand for gold, and so to avoid those wide fluctuations in the purchasing power of gold, which might otherwise result from the simultaneous and competitive efforts of a number of countries to secure metallic reserves. It is suggested that the convention should embody some means of economising the use of gold by maintaining reserves in the form of foreign balances, such, for example, as the gold exchange standard, or an international clearing system.

### Chapter II—*Credits*

#### ARTICLE 37

Whilst private credit will undoubtedly again become available as soon as currencies are stabilised and confidence is restored, it is recognised that under existing conditions special machinery is necessary for facilitating the immediate co-operation of the economically stronger countries for reconstruction purposes. The negotiations now proceeding for the establishment of an International Corporation are accordingly to be welcomed.

#### ARTICLE 38

It is essential for countries in need of credits to take steps at once to make their assets available to serve as security for the assistance they require, whether through the proposed international corporation or through other channels; for this purpose they should enter into consultation at the earliest possible moment with the corporation when established or with other agencies for the purpose of securing such co-operation.

### Chapter III—*Exchanges*

#### ARTICLE 39

One of the chief obstacles in the way of the restoration of trade is the collapsed condition and instability of many of the European exchanges, and this is mainly due to the continual depreciation of currency, the failure of production for export, and the lack of trade facilities.

The artificial control of operations in exchange, whether by requiring a licence for transactions in exchange or by limiting the prices at which transactions may be effected, or by preventing free dealings in forward exchange, is futile and mischievous.

It is therefore recommended that all regulations of the kind indicated attempting to limit fluctuations in exchange by means of artificial control of exchange operations should be abolished at the earliest possible date.

#### ARTICLE 40

Within twelve months after substantial progress has been made in the restoration of a country's exchanges any special restrictions imposed on imports from that country on the ground of depreciated exchange should be removed.

NOTE.—Some of the experts desired to add that the prohibition of transactions for any specified purposes was equally to be condemned, but others were unable to accept this without the qualification that it was subject to any regulations which may be adopted solely for the purpose of preventing the export of capital.

## Section II—*Economic Section*

### CHAPTER I—*Custom Tariffs and Restrictions*

#### ARTICLE 41

In view of the agreement relative to restrictions and prohibitions signed by the representatives of certain States at the conference at Porto Rose (protocol No. 1) in November 1921,<sup>9</sup> it is suggested that those States should adopt the recommendations of that conference and should take the necessary measures to give effect to them without delay.

#### ARTICLE 42

Inasmuch as the development of normal trade with all countries is only possible where traders are in a position to ascertain some time in advance the conditions under which goods can be legally imported into and exported from each country, it is proposed that any customs duties and customs restrictions incident to importation and exportation should be regulated by the following principles:

##### (A)—*Customs Tariffs*

#### ARTICLE 43

All customs tariffs should be published; such publication should be accompanied by a clear and precise indication in regard to each category of goods of all the duties which are leviable on the importation or exportation of the goods concerned.

#### ARTICLE 44

The tariffs should be made, so far as possible, applicable over substantial periods of time, and changes in rates and in customs regulations should be made as rarely as possible and duly published, the practice of frequent modification for the purpose of economic warfare being entirely abandoned.

#### ARTICLE 45

No duties should be maintained or imposed after . . . on the exports of raw materials other than such duties as are found desirable for revenue purposes; export duties imposed for such purposes should be applied without any discrimination as between different foreign countries of destination.

##### (B)—*Import and Export Prohibitions*

#### ARTICLE 46

The system of prohibition or restriction of imports or exports which certain States have introduced temporarily to protect their finances or to control their markets is in principle injurious from the point of view of the economic restoration of Europe. Every country has nevertheless the right, unless precluded by treaties,

<sup>9</sup> See No. 31, n. 11.

to prohibit absolutely the importation of goods of certain descriptions in the interests of national health, national security, national morals or for other special purposes, or to allow the importation of specified commodities only if consigned to recognised organisations either for the purpose of giving effect to a State monopoly or for seeing that the whole importation is put to a specified use, but prohibitions framed for any such purpose should be publicly announced and as limited in extent as possible. Such prohibitions and monopolies should not be used for the purpose of discriminating arbitrarily between different foreign markets or different sources of supply.

#### ARTICLE 47

Where for any reason it is desired to limit the amount of any commodity to be imported through ordinary trade channels such limitation should be effected by the medium of customs duties rather than by a system of prohibition modified by licences; every Government should at once examine the possibility of abandoning or reducing to the smallest possible dimensions the number of goods to which the latter system is applied, so that the general pre-war position in this regard may be attained so soon as possible, and in any case before . . . save in so far as it has been modified by general international conventions concluded since the outbreak of war.

#### ARTICLE 48

Pending the complete abolition of the system of prohibition accompanied by licences, licences should be granted on conditions which are publicly announced, unambiguously stated and uniformly applicable. Any trader should accordingly be in a position easily to estimate in advance whether and under what conditions a licence is procurable. Administration should be on the simplest lines possible and every arrangement should be made to secure that applications for licences are dealt with expeditiously by competent bodies organised for the purpose. In the grant of licences there should be no discrimination of any kind in respect of the nationality of the importer, the origin of the goods or their nature, nor should the grant be dependent on the prices at which they are to be purchased.

#### ARTICLE 49

Similar provisions *mutatis mutandis* to those laid down in articles 46 to 48 should be applied in regard to any restriction of exportation which any Government may find necessary for national security or for the purpose of conserving its economic resources; the licensing system should be such as to allow of no discrimination in regard to the prices at which the goods are to be disposed of.

#### (C)—General

#### ARTICLE 50

Where the admission or transit of goods of any description into any country or the duties leviable thereon are dependent on the fulfilment of particular technical conditions with regard, for instance, to their constitution, their purity, their district of origin, their sanitary condition, the Governments should come to arrangements with each other providing for the acceptance, in accordance with rules and principles mutually agreed, of certificates issued by competent scientific institutions or recognised authorities or bodies in the country of origin of the goods.

#### ARTICLE 51

The necessary steps should be taken to secure that the preceding provisions should be observed in the letter and in the spirit by all Government authorities, central or local, and that no regulations of an administrative character shall be issued which would conflict therewith.

#### ARTICLE 52

It is desirable to arrange for enquiry to be made from time to time through a suitable organisation, e.g. the League of Nations, into the progress made by the various States in carrying these principles into operation.

#### ARTICLE 53

All the Governments concerned should inform immediately the organisation referred to in article 52 of all changes in customs tariffs or in the regulations relating to prohibition or restriction of imports or exports.

NOTE 1.—In addition to the provisions contained in articles 41–53, a suggestion was considered that resolutions should be submitted to the Genoa Conference for acceptance providing during a certain period for the mutual accord to each other by all the nations represented of the treatment of the most-favoured-nation in customs matters, subject to certain reservations which would be necessary to meet special difficulties. Whilst it was generally recognised that on purely economic grounds some such provision could be welcomed in the present general situation, some of the experts did not feel able to accept the proposals as presented.

NOTE 2.—The experts have also considered the question of facilitating the use of arbitration clauses in commercial contracts relating to foreign business. They agreed that the question was one calling for careful consideration, but in view particularly of its technical and legal aspects they were of opinion that further investigation of the subject was necessary before a resolution could be prepared for submission to the Genoa Conference.

### CHAPTER II—*Treatment of Foreigners in the Conduct of Business*

#### ARTICLE 54

Foreign firms or individuals carrying on any permitted trade, profession or occupation should be subject to no higher taxation than is borne by nationals.

The taxation of foreign companies should be based on similar principles and the system of taxation so framed and administered that branches of foreign companies carrying on permitted trades, professions and occupations in the territory of any country should not bear a greater burden of taxation in that country than the businesses carried on in the country by national companies.

#### ARTICLE 55

It is desirable that, in the matter of passport visa regulations, all countries should at once adopt and put into practice in their entirety the recommendations of the International Conference on Passports, Customs Formalities and Through Tickets held at Paris in October 1920, under the auspices of the Provisional Committee on Communications and Transit of the League of Nations.<sup>10</sup>

<sup>10</sup> See No. 44, n. 4.



NOTE.—The more important of the Paris resolutions may be summarised as follows:—

- (a) The abolition of the visa for exit.
- (b) In general all entrance visas to be valid for one year. The validity of a transit visa to be the same as the period of the validity of the visa of the country of destination.
- (c) The maximum fees charged for visas to be:—

Entrance visa	..	..	..	10 francs gold.
Transit visa	..	..	..	1 franc gold.
- (d) The transit visa, unless for exceptional reasons (e.g., undesirables), to be issued without enquiry solely upon production of the entrance visa for the country of destination, in addition to transit visas for the intermediate countries.

### CHAPTER III—*Protection of Industrial Property and Copyrights*

#### ARTICLE 56

It is desirable that all European States which have not already done so should at once take steps to adhere to the International Convention of Paris of the 20th March, 1883, as revised at Washington in 1911, for the protection of industrial property and to the International Convention of Berne of the 9th September, 1886, revised at Berlin on the 13th November, 1908, and completed by the additional protocol signed at Berne on the 20th March, 1914, for the protection of literary and artistic work.<sup>11</sup>

#### ARTICLE 57

Pending such adhesion, every European State should, in so far as industrial, literary and artistic property is not now reciprocally protected as between itself and other States, give effective protection to such property on condition of reciprocity; and should further—save in so far as such rights have been or shall be dealt with by the Treaties of Peace with Germany, Austria, Hungary, Bulgaria and Turkey—recognise, restore and protect all rights in such property belonging to the nationals of other States which would now be in force in its territory, but for any exceptional legislative or administrative action taken in consequence of war or revolution between the 1st August, 1914, and the present date.

NOTE.—In the opinion of some of the experts, it is highly desirable that any European State which is not already a party thereto should adhere to the arrangement signed at Madrid on the 14th April, 1891,<sup>12</sup> for the repression of false indications of origin.

### Section III—*Transport Section*

#### ARTICLE 58

Efficient transport is an essential requisite for the revival of production and trade. It is therefore desirable that States should continue to devote their unremitting efforts to the restoration and improvement of the organisation of their railways, harbours and other means of communication; where necessary, surveys of requirements should be made under adequate expert direction, and where the present resources of any State appear to be inadequate to restore the equipment

<sup>11</sup> See No. 44, nn. 5-9.

<sup>12</sup> *B.F.S.P.*, vol. 96, pp. 837-9.

and structure of these undertakings, including the fuel supply, steps should be taken without delay to secure assistance, whether from the international corporation, when established, or from other suitable sources.

#### ARTICLE 59

The principles of the Agreement for the Regulation of International Railway Traffic, signed at Porto Rosa on the 23rd November, 1921, should immediately be applied to all the European States represented at Genoa. The Council of the League of Nations should be invited to enquire into the measures already taken to carry the Porto Rose agreement and recommendations into effect.

#### ARTICLE 60

It is desirable that representatives of the railway administrations of the States concerned should attend a conference to define what further steps are necessary to restore international traffic conditions at least as satisfactory as those existing before the war, and should agree upon recommendations to their Governments. Similar conferences should be held in regard to water communications and harbours.

It is desirable that favourable consideration should be given to the recommendations of these conferences with a view to their immediate application, or, if necessary, to the conclusion as early as possible of conventions to give effect to them.

#### ARTICLE 61

The conditions of international transport should not be determined by political considerations, but rather by commercial and technical considerations, as in the case of the conventions concluded at Barcelona on the 20th April, 1921,<sup>13</sup> regarding freedom of transit and the régime of navigable waterways of international concern, together with the additional protocol to the latter convention, and the recommendations relative to the international régime of railways. It is desirable that the various other conventions provided for in treaties now in force should be prepared and put into operation as soon as possible.<sup>14</sup>

<sup>13</sup> See No. 34, n. 23.

<sup>14</sup> On March 29, Commander Maxse minuted: '[The report of the British Committee] gives a brief account of the proceedings of the Conference of experts, and comments on the principal points raised. Naturally it barely touches on the political issues involved, but it is desirable to emphasise the fact that although this conference has achieved a satisfactory degree of agreement on technical questions, it has also revealed a marked divergence of opinion on political issues. It may perhaps be convenient to refer in this minute to the present position as regards these issues.

*'De jure recognition.*

"This point was not discussed at all at the Conference, but it was quite clear that the French Government had no intention of recognising the Soviet Government at present. It is also evident that the Soviet Government attach great importance to obtaining full recognition, and if *de jure* recognition is excluded from the scope of the Genoa Conference it is more than doubtful whether the Soviet Government will attend. It will be remembered that the Cannes resolutions contemplated such recognition, the actual text being:

"If, in order to secure the conditions necessary for the development of the trade in Russia, the Russian Government demands official recognition, the Allied Powers will be prepared to accord such recognition only if the Russian Government accepts the foregoing stipulations."

*'Cannes resolutions.*

"The French experts endeavoured to insert into the draft procedure for the Genoa Conference a sentence which would make it clear that no power could take part in the Conference unless it had first accepted these resolutions. The Chairman ruled this out of order as a political question, and a form of words was devised which did not raise the issue. It is, however, perfectly clear that this question has not been settled either by the discussions between the Prime Ministers or by the subsequent correspondence between the Allied governments. It also seems as if the French Government have no intention of discussing any question with the Soviet Government until the latter have accepted. [Mr. Gregory, the head of the Northern department of the Foreign Office, noted at this point: "From private conversation with M. Seydoux I do not gather that this is quite the case. I gathered rather that he (I don't know how far this means the French Government) would be satisfied by the Italian President of the Conference making a speech at the outset in which the acceptance of the Cannes Resolution by the Powers present would be taken for granted, but no opportunity would be given for dissenting statements. This will probably be the only practical course in any case and would fit in generally with the procedure more or less agreed on between us and Dr. Giannini."'] If this attitude is persisted in, it can only mean the withdrawal of either the French or the Russian delegates from Genoa.

*'Reciprocity.*

"The attitude of the French experts on this question was very definite. Not only did they object to according any reciprocity to the Russian Government in any form, but they also objected to the very mention of the word reciprocity in the report of the experts. When the Italian experts, at the end of the Conference, insisted on including a phrase to the effect that the amount of reciprocity, if any, to be accorded to Russia was a reserved question, the French experts absolutely refused, and as Monsieur Seydoux himself afterwards said to me, 'the conference very nearly broke down'. A compromise was effected by inserting the words 'contingent provisions', which the British and Italian delegates thought could be held to cover reciprocity. [Mr. Gregory commented: "This was my own suggestion and phrase, and I certainly did not intend it to do more than leave the door open for reciprocity *if necessary* at a later stage i.e. if in the negotiations with the Russians it is decided that reciprocity is politically desirable in order to secure an agreement."']

*'The Red Army*

"No mention was made of this subject throughout the Conference, but it is obviously one which would have to be taken into account at Genoa. The Russians maintain that their army is necessary to protect their frontier against the menace of attacks from Poland and Roumania, and that in the presence of a large Polish standing army, they cannot reduce it more than the 60% they claim to have reduced it already. The Polish standing army is maintained, partly, no doubt, on account of the Red army, but also because France desires to have an Allied military force on Germany's eastern frontier. In view of the agreements between France and Poland, it is doubtful if Poland could reduce her army without French consent. We are thus back to the position that until France is satisfied that she has security against German aggression there is no prospect of a reduction in the Red army.

"The latest news from Russia seems to indicate a strengthening of the position of the xenophobe wing of the Soviet Government, and although it is probable that the Soviet Government is in a desperate position, it is equally probable that if unreasonable demands are put forward at Genoa, the Soviet delegates will break off relations, and rely on stirring up the latent nationalism in Russia, and their sympathisers in western countries, in order to produce a situation which would lead to the summoning of another Russian conference, with the Soviet government in a much stronger position. It all depends on how we play our cards.

"In all these circumstances I venture to submit that it is of paramount importance to arrive at a *real* settlement with the French Government on our policy towards Russia, before we ever set foot in Genoa. Even if we go there in complete agreement with the

French, the Russians may be relied upon to do their utmost to separate us. If we go there with latent disagreements between ourselves and the French, we are playing straight into the hands of the Soviet Government.'

Mr. Gregory added, on March 29: 'M. Seydoux was scrupulously careful not to commit his Government on any of the political issues at stake, but I do not believe that an agreement with the French about Russia on the probationary basis is out of the question: nor need the Russians necessarily reject that solution if they are really in such a bad way as they are made out. The Italians will evidently play the extreme Bolshevik game (they have no big stake in Russia as the rest of us have, and only care about getting their petty trade going again): the Belgians avowedly intend to be honest brokers between us all—though their sympathies are naturally with the French point of view.'

Mr. Lindsay, Principal Assistant Secretary at the Foreign Office, minuted on March 30: 'It appears then that at Genoa we shall be confronted with the choice of having the Bolsheviks as our friends for the immediate future, or the French. I prefer the latter; and if somewhere in the future we may have to part company with France, I hope we shall not then insult her by saying that we prefer Moscow.'

Sir E. Crowe added on March 30: 'Count Saint-Aulaire read to me today a despatch from M. Poincaré instructing him to call Mr. Lloyd George's attention to the fact that the agreement arrived at as a result of the Boulogne conversation defined more clearly the scope of the Cannes resolutions as regards *de jure* recognition of the Soviet Government.'

'Mr. Lloyd George intends now to invite parliament to approve his proceeding, at Genoa, on the basis of the Cannes resolution (no mention being apparently made [of] the agreement reached at Boulogne). M. Poincaré is anxious to be assured that the latter remains binding. This will, notably, imply that the question whether there shall be immediate *de jure* recognition shall only be dealt with and settled at the close of the Genoa conference. Should the British delegates begin by advocating immediate recognition, the French delegates would retire from the conference. I said merely that as Count Saint-Aulaire was going to speak to Lord Curzon this evening on this subject, it was unnecessary for me to enter into a discussion on it now. I felt sure however there was not the slightest ground for apprehending that the British delegates would act in any way contrary to what was agreed upon at Cannes.'

Lord Curzon minuted, also on March 30: 'Count St. Aulaire spoke to me about this.'

'The words in the French *procès-verbal* of Boulogne are "après Genoa", [and] from this he said that M. Poincaré argued that the discussion of recognition could only begin after i.e. at a later stage than the Genoa Conference.'

'I questioned this interpretation saying that I believed the P[rime] M[inister] to have meant that while recognition (if granted, or to the extent to which granted) would only be posterior to Genoa, the discussion whether it should be accorded would take place at Genoa in the concluding stages of the Conference.'

'Indeed I did not see how it could be otherwise—and I thought M. Poincaré was making too much out of a point of interpretation. I also added what I expect will be depressingly true—that the course of events at Genoa will very likely falsify every prediction and upset every arrangement that we are making in advance.'

## No. 57

*Mr. Hodgson (Moscow) to the Marquess Curzon of Kedleston*

*No. 75 Telegraphic [N 3116/646/38]\**

MOSCOW, March 31, 1922

Account of conditions as given by Chicherin in his note and memorandum to Allied Governments,<sup>1</sup> only now communicated to this mission, requires following commentary.

<sup>1</sup> No. 46, Enclosure.

Arbitrary evictions continue to take place, victims having no legal redress. Resolution of ninth congress has not been enforced in practice. Subjection of extraordinary commission to commissary of interior being change in name only.

Arbitrary arrests continue, and are mainly for indefinite periods, in despite of law. Penalties imposed under new crime legislation are graded on class basis.

Law restoring right to own house property has been rendered dead letter by (1) fact that list of buildings which can become private property has never been issued, and (2) no legal machinery exists which can place owners in possession or give them security of tenure.

Peasants' control is empowered to annul any contracts which it may consider prejudicial to interests of State.

State is prepared to lease only such undertakings as it finds it impossible to operate itself.

Various 'trusts' created to handle different branches of industry are working at enormous loss, and are likely to break up, as stocks of raw materials are exhausted.

No concession agreements have so far been signed (except one for asbestos, which is likely to lapse), conditions obtainable being such as render business unattractive to private capital.

Private internal trade is strangled by uncertainty and varying taxation. State monopoly effectually prevents development of foreign trade.

Mixed corporations with foreign capital have little prospect when 51 per cent. of shares are to be retained in hands of Russian Government.

Neither civil nor criminal codes have yet been promulgated, and 'people's justices' still administer justice in accordance with their 'revolutionary conscience'.

## No. 58

*Note from M. Berzin to the Marquess Curzon of Kedleston*  
(Received April 3)

[N 3172/646/38]

LONDON, April 1, 1922

M. Berzin, assistant official agent of the Russian Socialist Federal Soviet Republic in Great Britain, presents his compliments to the Marquess Curzon of Kedleston, and begs to enclose herewith copy of an annex to the note of the 15th March<sup>1</sup> from the Russian Government for transmission to the British Government.

<sup>1</sup> No. 46, Enclosure.

*Annexe à la Note aux Gouvernements de Grande-Bretagne, France et Italie  
en date du 15 mars.<sup>1</sup>*

*Mémoire sur les Mesures juridiques prises par le Gouvernement russe.*

Dans l'intention de rétablir les forces productrices du pays, ruinées par de longues années de guerre incessante sur les fronts extérieurs et intérieurs, le Gouvernement de la R.S.F.S.R., aussitôt que la possibilité lui a été donnée d'organiser sa vie économique dans des conditions plus pacifiques, c'est-à-dire dès 1921, a édicté dans le domaine du droit civil, réel et personnel une série de mesures tendant à garantir l'initiative privée et l'activité professionnelle.

Dans le domaine des droits personnels, le Gouvernement de la R.S.F.S.R. a aboli les dispositions interdisant aux ouvriers et employés de quitter les entreprises et services de l'État dans lesquels ils travaillaient ('Recueil des Lois', 1921, article 188), ainsi que les mobilisations périodiques du travail ('Recueil des Lois', 1921, articles 545 et 607), il a proclamé la liberté pour chacun de choisir un métier ('Recueil des Lois', 1921, article 323) et de se déplacer sans autorisation spéciale ('Recueil des Lois', 1921, article 332, paragraphe 3). Le Gouvernement a garanti plus fermement qu'autrefois le droit des citoyens à jouir de leur demeure, en supprimant le droit qu'avaient les sections de logement et autres services administratifs de déloger et transporter dans d'autres locaux les citoyens ('Recueil des Lois', 1920, article 227, et 1921, article 411). Une décision spéciale du Conseil des Commissaires du Peuple a confirmé le principe du secret de la correspondance postale et télégraphique, en indiquant de façon précise dans la loi la procédure par laquelle cette correspondance peut être examinée et confisquée en cas d'enquêtes pour affaires criminelles ('Recueil des Lois', 1921, article 195). La protection des droits individuels personnels a trouvé sa plus complète expression dans la décision prise par le Comité central exécutif en exécution de la résolution du neuvième congrès panrusse, sur l'abolition de la procédure extraordinaire et la réorganisation des commissions extraordinaires.

En voici le texte :

7. En cas où des mesures de répression devraient être prises à l'égard d'individus impliqués dans des affaires de contre-révolution, banditisme, espionnage, vols sur les voies ferrées et fluviales, contrebande et passage des frontières, sans autorisation, la direction politique et les sections politiques ainsi que leurs délégués dans les districts sont autorisés à opérer perquisitions, saisies et arrestations dans les conditions suivantes :

- (a) Pour les individus pris sur le fait, les arrestations, perquisitions ou saisies peuvent être opérées par les agents de la direction et des sections politiques sans décision ni ordre spécial de ces services, avec approbation ultérieure du président de la direction politique ou de la section politique intéressée dans les quarante-huit heures. Dans tous les autres cas, les arrestations, perquisitions ou saisies ne peuvent être opérées que sur décision spéciale de la direction

ou des sections politiques et en vertu d'un ordre spécial portant la signature de leur président. La forme dans laquelle ces ordres sont délivrés est déterminée par une circulaire élaborée par la direction politique et approuvée par le Commissariat de la Justice.

- (b) Dans les deux semaines après son arrestation, toute personne arrêtée doit recevoir communication du motif.
- (c) Dans les deux mois après l'arrestation, la direction politique libère le détenu ou demande au bureau du Comité central exécutif l'autorisation de l'isoler plus longuement, si des circonstances spéciales l'exigent, le délai étant fixé par le bureau du Comité central exécutif, ou bien remet l'affaire au tribunal et lui fait transférer le détenu.

8. Toutes les affaires criminelles de spéculation, prévarications, &c., qui avant la publication du présent décret étaient du ressort des commissions extraordinaires seront, dans un délai de deux semaines, remises aux tribunaux révolutionnaires et populaires, selon les cas, et dorénavant toutes les affaires de crimes contre le régime soviétique ou de violation des lois de la R.S.F.S.R. seront terminées exclusivement par voie judiciaire dans les tribunaux révolutionnaires ou populaires, selon qu'il appartiendra.

9. La surveillance générale de l'exécution des articles 7 et 8 de la présente décision est confiée au Commissariat de la Justice.

De même, contribuera à garantir les droits personnels des citoyens le Code criminel actuellement soumis à l'examen du Conseil des Commissaires du Peuple et qui fixe les limites précises des choses punissables sur le territoire de la R.S.F.S.R., en particulier la qualification des divers crimes et délits contre l'État. A l'égard des étrangers, le code établit le principe suivant: 'L'action du Code criminel s'étend à tous les crimes commis sur le territoire de la R.S.F.S.R., soit par ses citoyens, soit par des étrangers, à moins que ces derniers, en vertu de leur caractère diplomatique, ne jouissent du droit d'extraterritorialité ('Recueil des Lois', 1921, article 303).

Dans la même intention a été élaboré par le Commissariat de la Justice le règlement sur la procédure criminelle actuellement soumis à l'approbation du Conseil des Commissaires du Peuple:

1. Dans le domaine des droits réels, le Gouvernement de la R.S.F.S.R., tout en gardant inébranlable le principe de la nationalisation du sol, a autorisé l'aliénation à titre onéreux des propriétés bâties par leurs propriétaires ('Recueil des Lois', 1921, article 410) et la transmission des droits de location sur les terrains bâtis, ainsi que l'exercice étendu du droit de bâtir conformément à la loi fondamentale sur la terre ('Recueil des Lois', 1918, article 346).

2. Concentrant ses ressources matérielles et financières sur un nombre réduit des entreprises d'État les plus grandes et les plus indispensables, le Gouvernement a cessé de prendre à sa charge les autres, qui, groupées en trusts autonomes, fonctionnent sur le pied commercial, ou bien les a remises

en fermage à l'initiative ('Recueil des Lois', 1921, article 313). Un décret spécial du Comité central exécutif garantit la solidité de ces contrats et prescrit qu'ils ne peuvent être résiliés que par les tribunaux.

3. Mettant à l'ordre du jour comme un problème pratique l'application en Russie, dans l'intérêt à la fois de ce pays et de toute l'économie mondiale, des capacités techniques et des ressources matérielles des États étrangers d'industrie développée, le Conseil des Commissaires du Peuple, par décret du 23 novembre 1920 ('Recueil des Lois', 1920, article 421), garantit les biens des concessionnaires pendant toute la durée du contrat de concession, contre toute espèce de nationalisation, réquisition ou confiscation, et les fait bénéficier de plusieurs autres privilèges leur permettant de mener sans obstacle leurs exploitations.

4. Le rétablissement de la propriété industrielle et en général de l'initiative privée dans le domaine de la production exigeait naturellement le rétablissement des mêmes principes dans le commerce et le courtage commercial. Une série de décrets du Comité central exécutif et du Conseil des Commissaires du Peuple ont aboli l'interdiction du commerce privé et ont proclamé la pleine liberté des affaires commerciales privées ('Recueil des Lois', 1921, articles 149, 212, 350).

Afin de faire participer au commerce le capital étranger, le Comité central exécutif, par décision du 13 mars ('Izvestiya,' No. 60), autorise le Commissariat du Commerce extérieur à organiser avec l'approbation du Conseil du Travail et de la Défense des entreprises par actions russes, étrangères ou combinées, se proposant d'appliquer le capital étranger à la constitution de stocks d'exportation en Russie, à leur écoulement à l'étranger, ainsi qu'à l'importation en Russie des objets nécessaires au rétablissement de l'économie nationale et de la circulation intérieure.

5. Afin de garantir solidement les droits des nouveaux propriétaires d'entreprises industrielles et commerciales ainsi que la stabilité des relations d'affaires contre toute atteinte illégale des organes de l'État ou de tierce personne, le Conseil des Commissaires du Peuple, par décret du 17 octobre 1921 ('Recueil des Lois', 1921, article 564), enlève aux organes locaux le droit d'opérer aucune espèce de réquisition ou confiscation et établit:

- (a) Que la réquisition, comme mesure extraordinaire, ne peut être prononcée que par l'autorité centrale, à savoir le Conseil du Travail et de la Défense auprès du Conseil des Commissaires du Peuple;
- (b) Que les biens expropriés doivent être payés à leurs propriétaires dans un délai d'un mois au prix moyen du marché;
- (c) Que la procédure de réquisition et l'appréciation des biens expropriés doit se faire dans une forme déterminée;
- (d) Que l'expropriation gratuite des biens privés ou confiscation ne peut avoir lieu qu'à titre de peine pour un crime.

Afin de garantir également la solidité et la stabilité des relations civiles et commerciales, le Gouvernement a commencé l'établissement d'un Code de Droit civil matériel, dont une partie—le code concernant les engagements



résultant des contrats—a déjà reçu l'approbation des autorités législatives. Ce code adopte les principes généralement reconnus en cette matière par les civiles d'Occident, impose aux parties contractantes, sans excepter les lois organes gouvernementaux, l'obligation d'exécuter strictement les clauses et il détermine les cas dans lesquels les contrats peuvent être résiliés judiciairement. Outre le code sur les engagements, il a été actuellement publié:

- (a) Un règlement sur les lettres de change et billets à ordre, conforme aux principes de la législation commune inscrits dans la Convention de la Haye du 23 juillet 191[2];<sup>2</sup>
- (b) Une loi sur les sociétés commerciales, déterminant le mode de formation et de fonctionnement des sociétés avec responsabilité illimitée ou limitée des participants ainsi que des compagnies anonymes.

Le décret sur les compagnies par action prévoit la constitution de sociétés mixtes dans lesquelles les parts appartiennent par moitié à l'État et à des personnes privées. Ces compagnies mixtes qui doivent allier à l'expérience commerciale, à la souplesse et à l'esprit entreprenant du capital privé, la stabilité et la situation privilégiée des institutions gouvernementales, peuvent être au moment actuel, où le commerce extérieur est un objet de monopole d'État, un puissant instrument de développement des importations et exportations. Afin d'assurer le respect des intérêts des parties en litige et des individus poursuivis, le Conseil des Commissaires du Peuple a adopté et présenté à l'approbation du Comité central exécutif un projet de loi créant un ordre des avocats avec autonomie corporative.

Dans le domaine du droit successoral, subsiste le principe d'après lequel les biens des citoyens russes défunts (à l'exclusion des petites fortunes n'atteignant pas 10,000 roubles aux prix de 1918) passent à l'État; il faut cependant noter que la loi sur l'abolition de l'héritage n'intéresse en rien les étrangers, puisque:

- (a) Conformément à ce décret ('Recueil des Lois', 1918, article 456), la succession sert avant tout à couvrir les droits des tierces personnes intéressées et à satisfaire les créanciers, après quoi seulement les biens du mort deviennent propriété de l'État.
- (b) Pour la succession des biens meubles des étrangers, le Gouvernement russe reconnaît le statut personnel, c'est-à-dire permet aux représentants légitimes, diplomatiques et consulaires des États étrangers de prendre des mesures pour conserver les biens laissés par leurs ressortissants défunts, ainsi que pour le passage de ces biens, aux héritiers légaux ou testamentaires conformément à la législation du pays intéressé, à charge de réciprocité.

Telles sont les dispositions générales prises pour préciser et défendre les droits réels des individus.

Il faut noter que les lacunes de la législation et l'absence jusqu'à présent en Russie soviétiste d'un Code civil écrit n'a nullement été un obstacle empêchant les tribunaux populaires fonctionnant en vertu du décret du

<sup>2</sup> See No. 46, n. 2.

Comité central exécutif du 21 octobre 1920 ('Recueil des Lois', 1920, article 407) de défendre les intérêts privés des citoyens et de les protéger contre toute atteinte illégale des organes de l'État ou de tierce personne, les tribunaux fondaient leurs sentences sur leur libre conscience du droit sur les précédents. La preuve que l'absence de droit civil écrit n'est pas en soi-même un obstacle à l'établissement des relations entre les citoyens sur une base juridique solide est la Grande-Bretagne, qui ne possède aucun Code civil et écrit.

Le perfectionnement de l'appareil judiciaire est l'objet de la sollicitude du Gouvernement soviétiste, mais déjà, dans son état actuel, cet appareil, en la personne des tribunaux populaires, fait régner une légalité et un ordre juridique auxquels les étrangers, comme les citoyens russes, peuvent parfaitement confier la défense de leurs droits réels. Les sentences des tribunaux populaires, formant la première instance, peuvent, selon le règlement en vigueur (articles 76-82), être attaquées par les personnes intéressées ou pour vice de forme ou pour faute de fond (article 91), devant le Conseil des Juges populaires, et afin sont soumises au contrôle suprême du Commissariat de la Justice ('Recueil des Lois', 1921, article 97).

*Londres, le 31 mars 1922.*

## No. 59

### *Note<sup>1</sup> from M. Berzin to Foreign Office*

[N 3259/646/38]\*

LONDON, *April 4, 1922*

M. Berzin, Assistant Official Agent of the Russian Soviet Government in Great Britain, presents his compliments to the Under-Secretary of State for Foreign Affairs, and begs leave to refer to a statement which is reported to have been made in the French Chamber of Deputies by the French Prime Minister, M. Poincaré, to the effect that the Russian Government has approached the French Government with proposals to commence conversations directed against the allies of France: ('Il est même arrivé que certains intermédiaires pensaient à établir des conversations entre le Gouvernement français et les Soviets, contre nos Alliés'—'Le Temps', le 2 avril 1922).

Not being able at the present moment to verify by means of the official stenographic report how far the above sentence truly represents the words actually used by M. Poincaré, the Russian Government deems it impossible to let this pass uncontradicted, and M. Berzin has been instructed by his Government to inform His Majesty's Government that the Soviet Government has neither directly nor indirectly made to France any proposals

<sup>1</sup> This note is preserved only in the Confidential Print.

which are in any way directed against the interests of Great Britain or any other of the Allied countries.<sup>2</sup>

<sup>2</sup> In his telegram No. 93 of April 2, Lord D'Abernon had reported as follows: 'Chicherin who arrived at Berlin yesterday on the way to Genoa has published the following communication through associated press.

"Only on my arrival at Berlin did I learn that in his last speech in French chamber Poincaré declared that Russian government were alleged to have made offers to France which were directed against France's allies. I contest this assertion most emphatically. Russian government have never in fact made any sort of proposals to France which were directed against her allies. It was not through medium of veiled ladies but through officials of French missions and through well known French members of parliament that Russia proposed to France to enter into negotiations on pre-supposition that better relations with France would lead to further strengthening of good relations with England as well as France.

"As far as Genoa is concerned Russian delegation will most emphatically refuse to make any sort of previous statement in regard to preliminary conditions and in so doing they will only carry out official declarations already made by Russian government."

## No. 60

### *Memorandum respecting the Attitude of the Northern and Western 'Neutrals' at the Genoa Conference*

[C 5156/458/62]

FOREIGN OFFICE, April 4, 1922

On the initiative of the Swedish Government, there was, on the 18th March, 1922, convened in Stockholm a conference comprising representatives of the Swedish, Swiss, Dutch, Danish, Spanish and Norwegian Governments. At this conference the Swedish and Norwegian Governments were represented by their Prime Ministers, the Danish Government by the Danish Minister for Foreign Affairs, and the Swiss, Spanish and Dutch Governments by their respective Ministers at Stockholm.

2. The ostensible object of this conference was an exchange of views on the various economic and financial matters to be discussed at Genoa, notably, questions of exchange, the dumping of goods by the low-exchange countries on the more prosperous 'neutrals', and general questions of finance. It was announced that complete agreement had been reached in the discussions on these subjects, and that the details would be further studied by the experts of the nations represented at Stockholm, who would meet for this purpose at Berne on the 5th April, 1922.

3. It is clear, despite statements to the contrary, that, in addition to purely economic and financial questions, the Stockholm Conference concerned itself to some extent with matters of a political character. From official and semi-official statements made to His Majesty's Ministers at Copenhagen, Christiania and The Hague it appears that amongst matters of this nature under discussion were the questions of Russia and the question of the attitude to the Treaties of Paris of the Powers represented at Stockholm. As regards

Russia, it appears that some anxiety was expressed lest the Allied Powers should endeavour to obtain a privileged position for their own claims against that country to the prejudice of the ex-neutrals. As regards the Treaties of Paris, fears appear to have been aroused lest the Allied Powers should at Genoa demand the general recognition of these treaties. Should such a demand be made, the attitude of the Danish, Norwegian and Dutch Governments, at least, is not doubtful. They have given His Majesty's representatives at their capitals fairly clearly to understand that such a demand would be refused.

4. It is not even certain that the Powers represented at Stockholm would be altogether opposed to the reconsideration at Genoa of parts of the treaties. The Danish Minister for Foreign Affairs went so far as to inform Lord Granville<sup>1</sup> that the treaties were the 'cause of all the trouble' in Europe. Professor Cassel, the Swedish economist, whose views are presumably not without importance, has also stated in articles which have received considerable publicity in the Scandinavian press that one of the aims of the ex-neutrals at Genoa should certainly be the abolition of the 'destructive' policy pursued in Europe by the Allied Powers since the armistice.

5. In conclusion, in view of the fact that the attitude of the ex-neutrals at Genoa, and particularly their attitude towards the discussion of the Russian question, is bound to be influenced to some extent by their respective internal political situations, the following very brief notes on these may not be without interest:—

(a) *Sweden.*

As the result of the elections in the autumn of 1921, the state of the parties in the two Houses is as follows:—

Upper House: Social Democrats, 50; Conservatives, 41; Liberals, 38; Farmers' Party, 18; Left Socialists, 2; Communists, 1.

Lower House: Social Democrats, 93; Conservatives, 62; Liberals, 41; Farmers' Party, 21; Left Socialists, 6; Communists, 7.

The Social Democrats under M. Branting are in power. Their policy is not an extreme one.

(b) *Norway.*

As the result of the elections in the autumn of 1921, the state of the parties in Parliament, which consists of one Chamber only, is as follows:—

Conservatives and Independent Liberals, 57; Left, 37; Farmer's Union, 17; Labour Democrats, 2; Socialists, 8; Communists, 29.

In spite of the loss at the recent elections of many seats, the Left continued in office, but they are dependent on the Communists for support when they are in disagreement with the Conservatives, and their position is precarious. The Extreme Socialists and Communists have considerable political influence.

<sup>1</sup> British Minister at Copenhagen from November 25, 1921.

(c) *Denmark.*

The state of the parties is as follows:—

Upper House: Left, 33; Conservatives, 13; Socialists, 22; Radicals, 8. Government parties, 46; Opposition, 30.

Lower House: Left, 52; Conservatives, 27; Socialists, 48; Radicals, 18; Trach Party, 3; Slesvig German, 1. Government Parties, 82; Opposition, 66.

The Left are in power, supported by the Conservatives.

(d) *Holland.*

The present Dutch Government, which came into power in September 1918, is a coalition of the Catholic, Anti-Revolutionary and Christian Historical Parties. It has 50 seats in the Second Chamber out of a total of 100, and 30 seats in the First Chamber out of a total of 50. General elections are to be held in the summer.

Internal conditions are bad. The universal slump and the appreciated Dutch exchange, which has crippled export trade, have combined to create the present situation. Public opinion is unanimous that the Treaty of Versailles is the root of all evils, and that the recovery of Germany is essential to Europe.

The Dutch Government have consistently refused to open diplomatic or trade relations with Russia.

(e) *Switzerland.*

The Swiss Federal Council, under the presidency of M. Haab, who is a Radical, is composed of five Radical members and two Catholic Conservatives. The majority in the National Assembly is also Radical.

The internal political history of Switzerland for some time past presents no striking features, but rather a story of makeshifts and palliatives to meet the needs of the moment. Parties and groups have ceased to have any clearly defined programme. The Socialists have seen their power steadily diminishing, and communism, which at one time seemed likely to find a fertile breeding-ground in Switzerland, appears to be no longer a serious menace. Trade has suffered considerably on account of the highly appreciated exchange, and the problem of unemployment, though not so acute as in the spring, is a very serious matter.

The safeguarding of her rights as a neutral is the governing factor in Switzerland's foreign relations. The Swiss show an evident desire to co-operate actively in the general aims of the League of Nations.

(f) *Spain.*

The Government of Señor Maura (Extreme Right) fell at the beginning of March, owing to internal dissension in the Cabinet. The immediate cause of Señor Maura's fall was the question of the re-establishment of the constitutional guarantees and the withdrawal of the Liberal leader, Count Romanones.

Señor Guerra (Liberal-Conservative), who succeeded Maura, states that

he intends to follow the same policy as his predecessor, but his Government will probably have a very short life. It is possible that after the budget and the important Railway Bill is passed a Liberal Government in some form with Count Romanones will be formed.

Spain still seems to be in a hopeless situation; Government succeeds Government and the much-needed reforms are not introduced. The financial situation is bad.

The Melilla disaster,<sup>2</sup> however, effectively aroused the Spaniards from their accustomed lethargy, and it is thought that through this misfortune she may at last have realised that her method of dealing with the problem must undergo a complete change, and that more attention must be paid to the economic necessities of her African possessions.

It remains to be seen whether the juntas now placed under the control of the Minister for War will be less dangerous than before.

In foreign affairs a sense of her isolation and the general feeling of being a negligible quantity in the councils of Europe is noticeable. The Spaniards believe that the promotion of a close entente with the Spanish-American countries will counteract this state of affairs to some extent.

<sup>2</sup> A reference to Spanish reverses in Morocco in July–August, 1921.

## No. 61

### *Memorandum<sup>1</sup> regarding the Treaties with Russia* [N 3289/2458/38]

FOREIGN OFFICE, April 6, 1922

As far as we have been able to ascertain, the Soviet Government has never by a definite act repudiated the treaties made by Czarist Russia either with this country or any other. We are unaware of any specific pronouncement. What the Soviet leaders have done, of course, in their numerous invectives against the civilised world, is to indicate that they consider that the obligations undertaken by former Russian Governments towards capitalistic States are not binding or valid. But this is not the same as a definite act of repudiation. Only in the case of the treaty with Persia is there an official statement denouncing specific previous engagements with that country. On the other hand, in the treaty with Finland,<sup>2</sup> there is a statement bearing rather in

<sup>1</sup> This memorandum is not dated. It was received in the Foreign Office on April 6. On March 14, the Foreign Office requested the Home Office, the War Office, the Admiralty, and the India Office to furnish a list of treaties with Russia in which they were particularly interested under the categories (a) bilateral treaties, (b) multilateral conventions to which the former Russian Government was a party, and (c) multilateral treaties 'to which Russia has never been a party, but to which it may be desirable she should be compelled to adhere as the price of her de jure recognition'. The replies received will be found at N 2850, N 2950, N 3125, N 3173/2458/38.

<sup>2</sup> The dates and sources of this and other Soviet treaties mentioned in this memorandum are given by Slusser and Triska.

the other direction. The methods of Soviet policy have been of an indeterminate description, and they have conducted their affairs in an abnormal and untraditional way. Whatever their intention may have been therefore, there is nothing to show that they have formally carried it out. In the absence, then, of further evidence, we must assume that the present Government, if and when recognised *de jure*, will inherit *ipso facto* the obligations of its predecessors.

On our side we could hardly adopt another view. We have never been technically at war with Soviet Russia and the treaties have therefore never formally lapsed.

There are two classes of treaties in which we are interested: (a) those concluded between this country and Russia alone; (b) general treaties to which we and Russia have been parties. The majority in both categories would probably be mutually regarded as obsolete. But this would not apply in every case, and, with regard to the first category, there are a number of political, and possibly other, treaties which it would clearly be inconvenient for us to revive, e.g., the 1907 treaty respecting Persia, Afghanistan and Tibet.<sup>3</sup> It is therefore proposed that we should try to secure an agreement that bilateral treaties are generally held to be abrogated, but that we should reserve the right to conclude separate arrangements with Russia ratifying those which we desire to continue in force. On the other hand, with regard to multilateral treaties, they should be considered as still in force, subject to detailed arrangements to be made later.

## I. RUSSIA AND THE PEACE TREATIES

### A. *The Treaty of Versailles*

Russia is specifically mentioned in the Treaty of Versailles in three places.

- a) Article 292, which abrogates the Treaty of Brest Litovsk.<sup>4</sup>
- b) Article 259, which compels Germany to hand over to the Allied and Associated Powers the gold which she received from Russia under the Treaty of Brest Litovsk.
- c) Article 116, in which the Allied and Associated Powers formally reserve the rights of Russia to obtain from Germany restitution and reparation based on the principles of the present Treaty.

The first point probably presents no difficulties. Russia broke off relations with Germany on the assassination of Count Mirbach,<sup>5</sup> and has only recently concluded a trade agreement with Germany which makes no reference to the Treaty of Brest Litovsk. Moreover, Russia has concluded treaties with the border States which are entirely incompatible with the terms of Brest Litovsk.

<sup>3</sup> See *B.F.S.P.*, vol. 100, pp. 555-60.

<sup>4</sup> Of March, 1918 (see J. W. Wheeler-Bennett, *The Treaty of Brest-Litovsk and Germany's Eastern Policy* (New York, 1939)).

<sup>5</sup> Count Wilhelm von Mirbach-Horff, who had been sent on a mission to Moscow, had been assassinated in July, 1918.

As regards (b), so far as this country is concerned, our share of the Russian gold amounted to 6·58 million sterling, and the Treasury are prepared to allow Russia a credit in their accounts of the full value of this gold, though so far they have not allowed any interest on it. It is, of course, possible that the Russians will demand that this gold should be returned to them in kind, but if they do, there should be no difficulty in refuting their arguments. It might, however, be worth our while to consider whether it would not suit us better, in view of the very small sum which this amounts to in comparison with the total Russian Government debt, to return it in kind, on condition that it was spent on, or formed the basis of credit for, orders for British manufactured goods.

As regards (c), Russian reparations, the following points have to be considered:—

(1) If Russia does put forward a claim under this Article, the whole reparation question will inevitably be raised. As it is, Germany cannot meet the total Allied demands exclusive of Russia, and if Russian liabilities are to be added there will have to be a fresh share out of the spoils, and the present Allied shares will have to be reduced.

(2) The Russian argument may well take the form that if they assume responsibility for the liabilities of the old Russian Governments, they must have their assets, and particularly the reparations due to Russia, because this would be almost their only external asset, and consequently one of the most important, from the point of view of meeting their external liabilities.

(3) Poland's share of the German reparations has been defined by the Reparations Commission as being limited to her claim to a share in whatever Russia obtains under this Article. In this connection it should be noted that most of the material damage inflicted by Germany upon Russia occurred in the territories of what is now Poland.

(4) The French Government apparently desire (a) to prevent the Treaty of Versailles being discussed at all at Genoa, and (b) to support Russia's claim for reparations so that the latter will have something to set off against the French Government debt. It is difficult to see how these two can be reconciled in practice, though in theory (a) could be insisted on, and (b) referred to the reparations commission.

Apart from the specific references to Russia, the Treaty of Versailles is the foundation of the present political order in Europe, and also contains the covenant of the League of Nations. It therefore seems necessary to secure from Russia some recognition, at any rate, of the territorial settlements involved, and also to notify Russia of the constitution of the League of Nations, since in regard to the latter she has always complained that she has never been officially notified of its existence.

The Russian Government and Press are at present adopting two entirely different attitudes towards the Treaty. On the one hand they sometimes say that they cannot possibly have anything to do with such a monstrous document, and to claim capitalist reparations would be to degrade themselves in the eyes of the workers of the world, and on the other, they say that



if they assume the liabilities they must also be given the assets. Neither argument is very easy to deal with if confined to its crudest form. In the first case we are saved any trouble about reparations, but on the other hand, are faced with the non-recognition of any of the existing settlements; in the latter case we get the full recognition and co-operation of the Soviet Government, but have to begin reparations all over again.

Whatever argument the Russians may eventually produce at Genoa, there are two points which we ought to be careful about on our side.

Firstly, we must not try to have it both ways, by denying Russia's share to reparations on the grounds that Article 116 was not drafted for the benefit of the Soviet Government, and at the same time asking her to assume responsibility for the war debts. Such a course would be bad tactics and bad law; if we recognise Russia *de jure*, then by the theory of State succession all engagements of previous Russian governments are automatically revived, and it is certainly not to our advantage to give Russia an opportunity of picking and choosing what she will or will not adhere to.

Secondly, we should avoid, as far as possible aggravating the growing spirit of nationalism in Soviet Russia, and thus enabling the Soviet Government to pose once more as the defender of holy Russia against the greed and aggression of the West.

On the whole it is hoped that something will be adopted on the lines of the proposed resolution, namely, that:

'The Russian Government takes note of the Treaty of Versailles, Trianon, St. Germain and Neuilly, and recognises the territorial settlement effected by these treaties.'

At any rate it would seem the safest draft resolution to begin with.

#### B. *Bessarabia.*

Bessarabia was formally handed over to Rumania under the Bessarabian Treaty, signed at Paris on October 28th, 1920,<sup>6</sup> which has not yet been ratified by any of the powers concerned.

In Article 9 of the Treaty it is laid down that as soon as a Russian Government is recognised, they will be invited to adhere to the Treaty, and that any points raised by the Russians will be submitted to the League of Nations for a decision, with the reservation that the Powers will not allow the frontiers as defined in the Treaty, or Rumania's sovereignty over the province to be called in question.

The Supreme Council refused to sign the Treaty until Rumania had ratified the Rumanian Minorities Treaty, and His Majesty's Government and France added a condition to the effect that Rumania must promise to indemnify their nationals owning land in Bessarabia, who would lose that land under the Rumanian Agrarian law. Notes giving the required assurances were exchanged between the Ambassadors' Conference and the Rumanian Legation in Paris.<sup>7</sup> The Treaty was then signed, in spite of the

<sup>6</sup> See Vol. XII, No. 423. See also No. 40, n. 4.

<sup>7</sup> See Vol. XII, Nos. 406, 408, 410, and 415.

opposition of the United States, who refused to have anything to do with it, and lodged a formal protest against this 'dismemberment of Russia'.<sup>8</sup>

The presence of a Russian delegation at the Genoa Conference will presumably entail the recognition of the Soviet Government, provided they are prepared to give satisfactory assurances regarding Russian debts, etc., and a simple way out of any difficulty would be to make their acceptance of the Bessarabian Treaty one of the conditions of recognition. They will then under Article 9 be at liberty to appeal to the League of Nations in any smaller point they may wish to raise.

The Soviet Gov[ernment] has apparently tried to strike a bargain with Rumania on this question, suggesting that they were prepared to recognise Rumania's right to Bessarabia, provided the latter, in her turn, would agree to ask no awkward questions about the Rumanian gold, which was sent to Moscow for safety in 1916.

Rumania might have been wise to have concluded an arrangement on these lines, but it is improbable that the opportunity will arise again and we must be prepared for the question of Bessarabia being definitely raised at Genoa, and the solution referred to above is that adopted in the draft articles.

### C. Constantinople.

Free access to the Mediterranean and the possession of Constantinople have been one of the political objectives of Russia for some two hundred years, and there are indications that the Soviet Government is inclined to follow in the footsteps of its predecessors. At any rate, whether from real interest, or from malice, there are fairly strong indications that the Soviet Government intend to raise the question at Genoa.

Early in the war the British Government gave certain vague assurances regarding Russia's interests being taken into consideration in the final disposal of Constantinople. The Russian Government endeavoured unsuccessfully for some time to obtain a definite recognition of her rights from the British and French Governments, but on March 11th, 1915, the British Ambassador formally handed the Russian Minister for Foreign Affairs a memorandum<sup>9</sup> agreeing, under certain conditions, to the Russian possession of Constantinople. The principal conditions were those concerning the freedom of trade and Mussulman jurisdiction over Mussulman Holy Places. The French Government gave their consent some three weeks later.<sup>10</sup>

Clearly the action of the Russian Government in making a separate peace with Germany in 1918 deprives them or any future Russian Government of the legal right based upon the assent given to their claims by the exchange of notes in 1915. On the other hand what has been done can never be completely undone, and it will always remain on record that the British Government formally assented to the Russian annexation of Constantinople and control of the Straits. The policy of a great nation such as Russia is not permanently changed by abnormal events, even though they are of so

<sup>8</sup> See *F.R.U.S.* 1920, vol. iii, p. 433.    <sup>9</sup> See Vol. IV, p. 636.    <sup>10</sup> See *ibid.*, p. 638.

violent a nature as those by which Russia has been distracted during the last four years. If at any time in the future Russia is reunited under a government which commands the full allegiance of all parts of the Empire and classes of the population, the claim to Constantinople and the Straits will again be made, and it will certainly be urged that notwithstanding the débâcle of 1917, Russia deserves this recompense for her immense sacrifices in the earlier years of the war. It will be represented that it would be intolerable that in the partition of the Turkish Empire, Russia should be left entirely out of account. That which Russia in the past always feared was, not the continuance of Turkish domination, but the substitution for Turkish sovereignty of that either of Greece or Bulgaria. A far-seeing and patriotic Russian statesman would therefore desire that Turkey should be left with nominal sovereignty over Constantinople and all of Thrace east of the Enos-Midia line.

## II. RUSSIAN TREATIES WITH THE BORDER STATES

If one of the main objects of the Genoa Conference is, as stated, the re-establishment of European peace on a firm basis, it should pre-eminently take into account the potential dangers to peace arising out of the fact that there still remain a number of frontiers in Eastern Europe still undetermined. The settlement of these frontier disputes would have the double effect of making a substantial contribution to peace without raising inconvenient political controversy and of serving thereby to keep in the background those that would decidedly have a reverse effect. The bare re-affirmation that nations would do well to live in harmony one with the other will hardly register any tangible advance in the general pacification of Europe.

Apart from this general consideration, it is doubtful whether it will be possible to prevent the extension by logical sequence of the 'economic' and 'financial' issues beyond what could, even with already admitted latitude, be read into those terms. The conclusion of a general peace treaty with Russia for instance (if such there is to be) is bound by its nature to be comprehensive; and it is difficult to see how we can stop the process of expansion at any arbitrary point. Thus the question whether or not Russia and the Powers are mutually to recognize each other's treaties is almost inevitably bound to arise. If so, these treaties all involve the determination of frontiers. Far from deploring this consequence of the negotiations, there seems much for us to welcome in an opportunity of attempting a settlement of several interminable disputes, the responsibility for which we should be glad to shift from off our own shoulders. The questions of Eastern Galicia and Vilna form an illustration of the way in which the raising of one political issue may lead quickly to another. They are both involved in the Treaty of Riga.<sup>11</sup> This treaty between Poland and Russia has been registered with the League of Nations, and, when the situation in the East of Europe is reviewed at Genoa—either in the Russian or the general negotiations—it

<sup>11</sup> Of March 18, 1921 (see *B.F.S.P.*, vol. 114, pp. 917-50). For the questions of Eastern Galicia and Vilna, see Vol. XI, Chap. II.

will be difficult for the Powers not to adopt an attitude towards it. Even in the assessment of economic problems the treaty can hardly be ignored, since the prevailing uncertainty as to the international status of the territory incorporated under it in Poland raises complications as regards trade, passports etc. It may well be then (this is of course all hypothetical) that the question will arise whether we are or are not to recognise this particular treaty. Moreover if as is again not to be excluded—and for practical purposes it may be necessary—the Russians are required under a general peace treaty to recognize the Treaty of Versailles, reciprocity as regards the treaties signed by Russia with her neighbours will certainly have to be discussed. Now by the Treaty of Riga the Eastern frontier of the former was drawn well east of the Vilna area, but actually coincides with the Eastern frontier of East Galicia. If then we recognise the Treaty of Riga, we ipso facto recognise as definitive the Eastern frontiers of Poland as determined by that treaty. By the Treaty of Versailles (Article 87) the determination of the Eastern frontiers of Poland rests with the Allied Powers; and their recognition of the Treaty of Riga would be an easy and convenient way out of further independent action. That question then would be settled, and, in addition, a step, though only a step, would have been taken towards the determination of the international status of East Galicia. That is to say, that, in strict logic, all that would have been settled would have been the disinterestedness of Russia beyond the North to South line drawn under the Treaty. But for all practical purposes Eastern Galicia would have been recognised as definitely within 'Poland'. Its Southern frontier would indeed have been left undetermined, but it would be sophistry to pretend that it was other than the line provided under the Frontiers Treaty (sequel to the Treaty of Saint Germain) as forming the Northern boundary of Roumania. Consequently the recognition of the Treaty of Riga would for all practical purposes mean the definite allocation of Eastern Galicia to Poland.

Have we any longer any reason to object, subject to an obligation being imposed on Poland to grant the necessary local autonomy to the province? Certainly if we do not object nobody else will. It will, however, not be sufficient to recognise the Treaty of Riga. There will also be need for a definite act, separate from but consequential to the recognition of the Treaty of Riga, on the part of the Allied Powers, because under the Treaty of Versailles the sovereignty of Eastern Galicia is vested in them.

What is the alternative? A prolongation of the present dubious and illegal situation under which the Poles are exercising a mandate that is wholly unauthorised, the Ruthenes are carrying on an agitation that is largely artificial, and local enterprise is more or less at a standstill. There is no other practical solution than to give the province to Poland.

The line drawn at Riga between Russia and Poland lies also to the East—well to the East—of the Vilna area. It is miles from the 'Curzon line'.<sup>12</sup>

<sup>12</sup> The provisional Polish frontier fixed by the Supreme Council in Paris on December 8, 1919. At Spa on July 10, 1920, the Supreme Council undertook, provided the Poles retired to that line, to assist Poland if she were threatened by Russia (see Vol. VIII, No. 59).

It accordingly affects the Vilna problem; but much less directly than that of Eastern Galicia. The wide Polish corridor which runs up South to North between the new eastern frontier of Poland and the western border of the Vilna area leaves the problem much as it was, and the Poles are specifically entitled under the treaty to come to a settlement of their own with the Lithuanians. Nevertheless, while the recognition by us of the Treaty of Riga does not involve an obligation of disinterestedness on our part in the determination of the territory lying west of the eastern frontiers of Poland, it does afford us an opportunity of declaring our disinterestedness subject to Poland and Lithuania undertaking to come to a direct understanding. This would possibly be cynical under the circumstances: but we have tried our hardest during two years or more to bring these two countries together and we obviously cannot go on for ever. The line taken in this event towards Vilna would not of course be parallel to that taken towards Eastern Galicia. But then the two cases are not parallel. Vilna can practically be tacked on to either Poland or Lithuania; but there is no other country except Poland on to which Eastern Galicia could be tacked. Its disposal elsewhere would be fantastic.

A more immediate question, however, arising out of the recognition by the Powers of the treaties concluded between Russia and her neighbours concerns the possible division between them of the pre-1914 Russian debt. The question has already been raised by the French Government which has recently presented Notes to the Baltic States proposing that they should severally assume liability for a portion of this debt.

This has the appearance *prima facie* of being an unnecessary and dangerous policy which must be approached with considerable reserve. The objections to it are both political and practical. Politically, it would qualify the recognition by the Powers of the Treaty of Riga and kindred treaties and would encourage Russia to regard them as being possibly in other respects unacceptable to the Powers and so either to question their validity at once or to disregard individual provisions as time goes on. An element of instability would at once arise. Further than this, the body responsible for the collection of the various portions of the debt would have to be either a Commission appointed *ad hoc* or the Soviet Government itself, in each case armed with the necessary authority to compel payment in the event of default. The dangers inherent in this are obvious, particularly if the Soviet Government were thus provided with a potential hold over countries whose absolutely unqualified independence is a matter of life and death to them. There are of course numerous instances where a division of the debt of a State split into component parts has worked without difficulty, but given the circumstances of the breakup of the Russian Empire and the peculiar character of the Soviet regime, they hardly form a precedent.

The practical objection to the course proposed arises out of the difficulty of combining the elaborate arrangement made for the payment of the Russian debt itself, viz. the issue of new Russian bonds etc., with the entirely different method of payment that would necessarily have to be applied to

the payment of the Polish or Latvian portion of the debt. It is in fact difficult to perceive at present how the two methods could be adjusted.

Finally, the attempt to impose this liability on the Border States would inevitably compel them to demand a share in reparations. It was precisely on what is now ex-Russian territory that the greatest war damage in Eastern Europe was perpetrated, and if the Border States were saddled with an additional burden at this early stage of their career they might with justice demand some set off on the ground of the disabilities under which it started, and so endeavour to reopen questions that must remain dead and buried.

There is no advantage in raising issues of this kind, and, moreover, as there is not the slightest chance of any one of the Border States making actual payments, the attempt to force a paper agreement on them seems to be a totally unnecessary proceeding.<sup>13</sup>

<sup>13</sup> The Appendix to this memorandum entitled, 'Articles from treaties referring to the Russian debt', is not here printed.

## No. 62

I.C.P. 236B] *British Secretary's Notes of a Meeting held in a Railway Train proceeding from the Gare du Nord to the Gare de Lyons, Paris, on Friday, April 7, 1922, at 4.20 p.m.*

**PRESENT:** *British Empire:* The Right Hon. D. Lloyd George (Prime Minister), accompanied by Lord Hardinge and Sir M. P. A. Hankey.

*France:* M. Poincaré (Prime Minister), M. Barthou, accompanied by M. Camerlynck (interpreter).

(*Note.*—The British Secretary was not present during the first ten minutes, and is indebted to Lord Hardinge for a short account of the proceedings prior to his introduction.)

### *The Genoa Conference.*

MR. LLOYD GEORGE began by saying that he had done his best to carry out very faithfully the decisions of the Boulogne Conference.<sup>1</sup>

After this there was some conversation of a general order.

Mr. Lloyd George then introduced the subject of procedure, stating briefly that it was necessary to arrange for some business-like method for the conduct of the conference. His idea was that the general direction of the conference should be kept in the hands of the larger Powers.

M. POINCARÉ spoke to the effect that it was not possible to set up something corresponding to the Supreme Council for the conduct of the general affairs of the conference. (This was the point at which Sir Maurice Hankey began to take notes.) For example, if the great Allied Powers were included,

<sup>1</sup> See No. 34.

it would be necessary to have at least one representative of the Little Entente. It would be very difficult to leave these out. Mr. Lloyd George's plan had already been tried at the Reparations Commission and had not been successful. This procedure, indeed, was not very respectful to the smaller Powers, and it was important not to slight them. At any rate, they could not possibly be left out. The same would apply to the neutrals; how could they be asked to select a representative? It would be represented as very unjust that they should only have one representative. It would be to substitute for the whole of Europe which would be represented at the Genoa Conference a kind of falsified and incomplete substitute. Perhaps the best method would be to divide up the different questions that would come before the conference, and entrust particular questions to special committees. At Cannes it had been decided that the Conference of Genoa was to be mainly economic and financial in character. In order to reach practical results, such questions should be dealt with by technicians and experts. Those countries should be represented on the committees which were most concerned in the questions to be discussed.

M. BARTHOU said he would like to add to the objections urged by M. Poincaré a question as to what would be the position of the ex-enemy Powers; would they not expect to be represented on the main committee?

MR. LLOYD GEORGE said this would certainly be the case. He asked the French Ministers to consider what was one of the most difficult questions, namely, the conditions to be imposed on Russia in regard to the payment of debts? This was a matter which mainly interested France and Great Britain. Why, therefore, should it be referred to a committee of the thirty-three Powers? The first question was as to whether Russia accepted the principle of the payment of her debts. If she did, why was it necessary to have thirty-three Powers to discuss it, for he believed there were to be something like thirty-three Powers represented at the Genoa Conference, namely, one Power for each year that M. Barthou had been in Parliamentary life! If every Power was to have the same representations as, say, Livonia, which would have to have at least one, there would be something like forty Powers on each committee and the business would never come to an end. If M. Barthou was ready to stay at the Genoa Conference for eighteen months, then this procedure was all right, but for his part he felt the conference must come to an end within a reasonable time. This question affected the Great Powers far more than smaller Powers. France, for example, had hundreds of millions due to her from Russia, and the same was true of Great Britain, only in a less degree. If all the Powers were brought into the discussion of this question it would be endless. In regard to the direction of the conference, if the Great Powers did not undertake this it would be, so to speak, scattered all over the world. He had no doubt, however, that if France, Great Britain, Italy, Belgium and Japan could agree, they would direct the conference. If they created a huge committee for the direction, it would not work and would be perfectly useless. There must be some directing body capable of reaching a conclusion.

M. POINCARÉ said they could agree on this, that if the Allied Powers were in agreement they would provide the direction and leadership of the conference. Hence it was a matter of great interest for them to agree. The Allied Powers, however, included both great and small States. Hence he hoped there would be no question of establishing an understanding with Germany and Russia in regard to the direction of the conference, nor of setting up some committee on which those two countries sat with the Great Powers. He could not imagine a situation in which Russia and Germany sat on such a committee while the smaller Allied Powers, such as Poland, were not represented. France could not agree to this. As regards the size of the committees, he did not think it absolutely indispensable that they should contain thirty-three members. Smaller committees might be created for the examination of particular questions. For example, suppose the question of the Russian debt came up for examination, a special committee could be appointed on which all the interested States could be represented. Again, if the questions of exportations, prohibitions, currency or exchanges came up for consideration, they could introduce men specially competent on trade, fiscal and financial questions. His idea was to have smaller committees composed of specially qualified persons. As regards the Russian debt, it was happily not exact to say that France and Great Britain were alone interested. The Russian loans had, in fact, been spread over a good many States. Not only were many smaller States interested in the Russian debt as creditors, but some also as debtors; for example, the inheriting States, which had acquired portions of what was formerly Russian territory. Hence, the question could not be dealt with without including the inheriting States. Instead, therefore, of setting up a directing council of the Great Powers, including Germany and Russia, he thought it would be better to create smaller committees, the personnel of which would be chosen according to the subject to be dealt with. This would be better than creating a committee for the general direction of the conference on which Russia and Germany were represented, which would displease the smaller Allied Powers and be contrary to the general position resulting from the war.

MR. LLOYD GEORGE said he had not the smallest desire to exclude the smaller Powers. He had recently had conversations with the Prime Minister of Czechoslovakia<sup>2</sup> and the Foreign Minister of Poland, M. Skirmunt.<sup>3</sup> Regarding the latter, he would say, in parenthesis, that he was the ablest man he had met from Poland. He thought that both these statesmen would

<sup>2</sup> See Nos. 29 and 31.

<sup>3</sup> Mr. Lloyd George's meeting with M. Skirmunt took place on April 4 (see *The Times*, April 5, p. 11). No record of this conversation has been traced in the Foreign Office archives, but an extract from the draft conclusions of a meeting of the Finance Committee of the Cabinet on April 5, at which it was discussed, was communicated to the Foreign Office on April 6. This ran: "THE PRIME MINISTER informed the Finance Committee that at a recent interview with M. Skirmunt, the Polish Foreign Minister, the latter had referred to the struggle for supremacy which had been in progress between Lenin and Trotsky which had ended in the decision of the former not to go to the Genoa Conference. M. Skirmunt had stated that so far as Russia was concerned much would depend on the proceedings at



be most helpful at the conference. Everything, however, depended on whether the Powers went to Genoa with the intention of making the conference a success. If M. Barthou and M. Poincaré (who he hoped was coming later on to the conference) had to go back to Paris and say that it had failed because Great Britain made impossible conditions, or if he and his colleagues had to go back to England and say that it had failed because France had refused reasonable conditions, there was no use in concealing what the result would be; it would be the end of close co-operation between the two great democracies. He felt it best to talk very frankly. The British democracy insisted on the re-establishment of peace in Europe, which they regarded as essential. The British 'devastated area' was depressed trade. As he had told M. Poincaré at Boulogne, the British working man desired trade above everything, in order to rectify unemployment. He also recalled what he had said to M. Poincaré at Boulogne regarding the results of recent elections in Great Britain. If he were now to have to go back and say that the conference at Genoa had failed because France insisted on delays and refused all reasonable conditions, there would be an end of co-operation between the British and French democracies. This would be a most disastrous result. He asked M. Poincaré to consider what had happened in the recent debate in Parliament.<sup>4</sup> It was true he himself had received a very large majority, but the attitude of two of the parties in the debate, namely, the Labour Party and Mr. Asquith's Party, was very interesting. M. Poincaré must remember that the Labour Party was growing in importance. Great Britain had an industrial population, and if the working men swung in one direction they might swing heavily. Every speech made by that party during the debate had contained a criticism of France. The British Labour Party must not be judged by the criterion of the French Labour Party, since France contained a large peasant population. Not a single speech had been made, in the debate to which he referred, by members of the Labour Party which had not contained a bitter criticism of the attitude of France. The same was true to a great extent of Mr. Asquith's Party. If, therefore, he had to report to Parliament that the Genoa Conference had failed because of France, it would be most disastrous to their two countries. The question of the committees did not much matter in comparison with this. It was not a

Genoa. If the Conference was on the whole a success, the position of Lenin and the Moderates in Russia would be much strengthened. If, however, the Conference failed then, in his opinion, Trotsky and the Extremists would come into power. . . .

'M. Skirmunt had also raised the question of the frontiers between Russia and Poland and had expressed the view that it was most desirable that these frontiers which had been agreed as between the Russians and the Poles, should now be definitely recognised by the Powers. It was not clear what the obstacle to such recognition was.

'THE SECRETARY [Sir M. Hankey] stated that he understood that the difficulty was connected with the future of Eastern Galicia.

'The Committee agreed—That the attention of the Secretary of State for Foreign Affairs should be drawn to the above points in the conversation between the Prime Minister and M. Skirmunt.'

<sup>4</sup> On April 3 (see 152 *H.C. Deb.* 5 s, cols. 1885-1997).

matter of such importance whether certain Powers were left out or not. What was vital was that France and Great Britain should work together. If not, there would be the greatest disaster in the history of Europe.

M. POINCARÉ said he could assure Mr. Lloyd George that the Government of the Republic was in full accord with him on this, and wished the French delegates to work with Mr. Lloyd George for the success of the conference. The other day he had told the Chamber that he was not going to Genoa with a negative programme, nor as a sulky, silent member of the conference, but to work with the British delegation as faithful fellow-workers. They would do all in their power to make the conference a success. His Government had never contemplated the possibility of a rupture between the two countries, which would be a disaster not only to the two countries themselves, but to the whole world. Mr. Lloyd George should not imagine that the feeling against France, which he said existed in Great Britain, had not its counterpart in France against England. (Mr. Lloyd George interpolated that he quite realised this, and that the feeling had begun in France.) M. Poincaré, continuing, said that the French Government met with considerable difficulty in keeping in the background the public opinion against Great Britain. The French public felt considerable disappointment with what they regarded as the obstructive attitude of Great Britain. France also had her miseries and sufferings. He did not want to put them in the scales and say that those of France were heavier than those of Great Britain. He really did not know which were the heavier. The truth was that both nations were suffering and wanted to get out of their troubles. It was natural, however, for a country, like an individual, to blame its neighbours for its own difficulties. In France at the moment public opinion was prone to imagine that Great Britain showed some resistance to French needs, and was not ready to work with her in compelling Germany to carry out her obligations. On behalf of the French Government, he wished to express thanks to Mr. Lloyd George for the statement he had made in Parliament as to his realisation of France's troubles. He knew that during the last few days Mr. Lloyd George had been dissatisfied with the attitude of the French press, and he shared this feeling. He had made some observations on the subject to the newspaper men. The latter, however, thought that they represented the general feeling of France. It was necessary not to convey the idea that at Genoa France was expected to make a sacrifice of French interests. It was important not to give the impression that old friendships were being abandoned or, so to speak, for the countries to compromise themselves by flirtations with other countries. Intimate collaboration with Germany was, he felt, at the present time premature. It was true that later on Germany might give guarantees of her good faith, and might be in train to show good-will, but at the present time this was not the case. Supposing, for example, while the Genoa Conference was proceeding, Germany was to refuse the demand of the Reparations Commission, French public opinion would be exasperated, and a situation would be created which would be intolerable for France. From the bottom of his heart, and with the greatest

eagerness ('empressement'), he would say—and he was glad that Mr. Lloyd George had put this first—that France would march with Great Britain; but he was anxious that they should select a proper and adequate procedure for the conference, which, without outraging French opinion, would enable it to reach useful conclusions. He himself was very anxious not to come back from Genoa empty-handed, and he wished to obtain results in concert with Mr. Lloyd George. They must, however, be practical results, and for this it was necessary to work closely with the experts. The less politics and the fewer speeches there were the better. He hoped that he and Mr. Lloyd George would be able to come before their respective countries and say that they tried to re-establish exchanges in Europe; that they had given counsel as regards their budgets to those countries which were in a bad financial situation; that they had examined the commercial and financial position; that they had opened the Russian markets after obtaining guarantees essential to small investors, and that they were guarantees that would be respected. All that would be a positive and appreciable result, which would give satisfaction to their peoples and would give Russia a chance to recover. That was their programme, in which they wished to associate fully with Great Britain.

M. BARTHOU said he would like to add to what M. Poincaré had said that he was going to Genoa penetrated most certainly by a strong feeling for Great Britain, and with profound friendship for Mr. Lloyd George, with whom he wished to collaborate for the success of the conference.

MR. LLOYD GEORGE said that, if the conference proceeded in the spirit of M. Poincaré's and M. Barthou's remarks, they would be able to consolidate the good feeling between France and Great Britain, which, he entirely agreed with M. Poincaré, was essential to peace, and, indeed, would be the sole sound foundation of peace. If that were the spirit, he would not be greatly concerned about questions of details, such as the committees. In fact, to use a Scriptural phrase, 'All these things shall be added unto you' (Matthew, chapter 6, verse 33).

M. BARTHOU said there were many matters on which he would like to talk with Mr. Lloyd George, but time was short, so he would ask him if he knew what time the first meeting of the conference was to be held on Monday next?

MR. LLOYD GEORGE said he had heard nothing as yet.

M. BARTHOU said he would arrive at Genoa at 9 A.M. on the following Sunday, and the whole of his afternoon would be at the disposal of Mr. Lloyd George and Signor Facta. He suggested that a meeting of the convening Powers should be held on the Monday afternoon.

(The train having arrived at the Gare de Lyons, M. Poincaré and M. Barthou took their departure.)

*April 7, 1922.*

S.G. 1A] *Notes of a Conversation at the Villa d'Albertis, April 8, 1922.*

PRESENT: *British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P., Prime Minister; The Rt. Hon. Sir R. Horne, G.B.E., K.C., M.P., The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P., Sir Edward Grigg, K.C.V.O., C.M.G.

*Italy*: Signor Facta: Signor Schanzer, The Marquis Visconti Venosta, Signor Giannini.

The discussion dealt first of all with procedure at the first plenary meeting of the conference on Monday.<sup>1</sup> Signor Schanzer also submitted certain rules of procedure, to which the Prime Minister suggested the following emendations:—

1. That the plenary meetings of the conference should be public, and that committee meetings should not be public unless notice was given to that effect.
2. That the order of Powers attending the conference should be by population and not alphabetical.

SIGNOR SCHANZER also proposed that in order to meet the French view the committees of the conference should in the first instance consist of all the Powers, and that each committee should resolve itself into a smaller bureau of the Great Powers whenever necessary.

THE PRIME MINISTER approved this idea, and said that he would support Italy in proposing it to the French.

The Prime Minister then emphasised the great importance of winning over the Petite Entente to the support of British and Italian policy in the conference. He asked Signor Schanzer to see M. Bratiano<sup>2</sup> that evening. With regard to Russia, the Prime Minister said that he could not see Chicherin himself, but that, since Signor Schanzer would presumably be seeing him in the capacity of host, he hoped Signor Schanzer would beg him to make a thoroughly conciliatory speech at the opening. It was essential that he should declare Russia's acceptance of the Cannes conditions<sup>3</sup> *en principe*, and that the Russian delegation should make a friendly impression on the assembly. This would have an important effect on public opinion everywhere.

The Prime Minister begged Signor Schanzer to make a direct appeal to M. Chicherin on his behalf.

The conversation then passed to disarmament. In reply to Signor Schanzer, the Prime Minister said that it was thoroughly understood at Cannes that the questions of peace and reconstruction in Europe could not be discussed without reference to disarmament, but that disarmament was not to be discussed in detail.<sup>4</sup>

<sup>1</sup> i.e. April 10. See No. 67, below.

<sup>2</sup> Head of the Roumanian delegation to the Genoa Conference (see No. 47, n. 5).

<sup>3</sup> See No. 6, Appendix.

<sup>4</sup> See No. 3.

SIGNOR SCHANZER said that the French wanted to stop proceedings if anyone mentioned disarmament.

THE PRIME MINISTER said that the Chairman must, of course, rule out resolutions dealing with disarmament or any attempt to raise disarmament as a subject for action by the conference, but that France could not possibly intend all reference to disarmament to be prevented.

SIGNOR SCHANZER said that Italy thoroughly agreed with this interpretation, but would require British support in carrying it out.

THE PRIME MINISTER said he would certainly support the Chairman to the utmost of his power. He thought the subject should be dealt with at the meeting of the Allies on the Sunday.<sup>5</sup> With regard to the pact of peace, the Prime Minister explained that the first essential was to secure an undertaking from Russia not to attack the border States, in return for a similar undertaking from them towards Russia. There must be not only a resolution of the conference, but a definite engagement signed by the Powers. The French wanted this engagement to have reference to clause 10 of the Covenant of the League of Nations, but he personally was opposed to this, as clause 10 bound signatories to intervene by force of arms. British public opinion would not sanction any such undertaking. He thought, therefore, that the engagement should be a negative one.

SIGNOR SCHANZER asked what guarantee there would thus be to the adherent to the pact. Would not some sanction be necessary?

THE PRIME MINISTER said that any breach of it would bring down the moral reprobation of the world, but suggested that Signor Schanzer should look at a draft<sup>6</sup> of such a pact prepared by the legal advisers of the Foreign Office.

SIGNOR FACTA strongly agreed that the conference must achieve a pact.

THE PRIME MINISTER said, 'Yes, the Pact of Genoa.' If the pact were made, the question of disarmament could then be referred to the League of Nations Committee on Disarmament for consideration in detail.

With regard to the recognition of Russia, the Prime Minister said that he thought that Russia should be recognised as soon as the Parliaments had ratified the peace. The method of recognition, however, should be gradual, beginning with representation by a *Chargé d'Affaires*, mutual guarantees of equal status in the courts, &c. There should not be full diplomatic representation until we were assured that Russia was carrying out the terms of the peace.

SIGNOR SCHANZER asked if a treaty with Russia should be signed.

THE PRIME MINISTER said certainly there must be an instrument.

SIGNOR FACTA said that the progress would depend on the behaviour of the Russian delegates at the conference.

THE PRIME MINISTER agreed. He had stated his views on recognition in exactly these terms in Parliament, and M. Poincaré had said in Paris that he cordially approved of the speech.

<sup>5</sup> Cf. No. 64, below.

<sup>6</sup> See No. 40.

SIGNOR SCHANZER said that the Italian Government were delighted to find themselves in such close accord with Great Britain, and hoped the French delegation would not break the Allied front.

THE PRIME MINISTER said that the French attitude would depend on the support they found for a negative attitude amongst other Powers, particularly the Little Entente. This was the crux of the conference.

*Hotel Miramare, Genoa, April 15, 1922.*

## CHAPTER III

# The Genoa Conference April 9–May 19, 1922

### No. 64

I.C.P. 237] *British Secretary's Notes of an Informal Meeting of the Inviting Powers to the Genoa Conference, held at the Palazzo Reale, Genoa, on Sunday, April 9, 1922, at 11 a.m.*

**PRESENT:** *Belgium:* M. Theunis, M. Jaspar; **SECRETARIES:** Viscount Davignon, Viscount Terlinden.

*British Empire:* The Rt. Hon. D. Lloyd George, O.M., M.P., The Rt. Hon. Sir R. Horne, G.B.E., K.C., M.P., The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P.; **SECRETARIES:** Sir Maurice Hankey, G.C.B., Sir Edward Grigg, K.C.V.O., C.M.G., Mr. Fergusson.<sup>1</sup>

*France:* M. Barthou, M. Barrère, M. Colrat; **SECRETARY:** M. Massigli.

*Italy:* Signor Facta (*in the Chair*), Signor Schanzer, Signor Peano,<sup>2</sup> Signor Bertone,<sup>3</sup> Signor Rossi;<sup>4</sup> **SECRETARIES:** Marquis Durazzo, The Marquis Visconti Venosta, Dr. Giannini, Signor Buti, Signor Bertole, Signor Varvaro, Signor Zanchi.

*Japan:* Baron Hayashi, Viscount Ishii; **SECRETARIES:** M. Okamoto, M. Ashida.

**SECRETARY-GENERAL:** Baron Romano Avezzana.

**INTERPRETERS:** M. Camerlynck, Mme. Agresti, Dr. Parodi.

### *Procedure of the Genoa Conference.*

1. SIGNOR FACTA said he felt highly honoured at greeting a meeting assembled to work out the pacification of Europe and its reconstruction. The object of this particular meeting was to study a proposal prepared by his colleague, Signor Schanzer, for the procedure of the conference. He asked that a draft of the regulations of the conference, prepared by Signor Schanzer, might be submitted and be examined in order that the work might proceed well and rapidly, because it was important that it should be carried on not only smoothly, but as rapidly as possible.

<sup>1</sup> Mr. J. D. B. Fergusson, Private Secretary to Sir R. Horne.

<sup>2</sup> Signor Camillo Peano, Member of the Italian Parliament, Secretary of State for the Treasury.

<sup>3</sup> Signor Giovanni Battista Bertone, Member of the Italian Parliament, Secretary of State for Finance.

<sup>4</sup> Count Teofilo Rossi, an Italian Senator, Secretary of State for Industry and Commerce.

SIGNOR SCHANZER said that Signor Facta had indicated the main object of the meeting. It was first necessary to agree on certain rules of procedure. From a general point of view he did not think it desirable to have very comprehensive regulations; it was better to have a certain freedom and elasticity. Certain principles, however, might with advantage be laid down; above all, that for the good procedure of the work. Hence, he had drafted certain rules which he would recommend to the attention and approval of the meeting. He did not wish, however, to insist that the scheme as laid down should be adopted absolutely as rules of procedure. A better plan would be that the president of the conference should communicate the rules to the assembly and suggest that if there were no objection they be accepted. This would be preferable to inviting a discussion. He then proposed to read through the draft regulations, which were handed round to all present, and are attached in Appendix I.

#### *Article 1.*

SIGNOR SCHANZER then read article 1. On this he observed that at the end of the second paragraph it was proposed to introduce words to show that Russia and Germany, besides the Powers which had convened the conference, should have five delegates.

MR. LLOYD GEORGE remarked that this had been agreed to at Cannes.<sup>5</sup>

M. BARTHOU said he had no observations to make on article 1. In order, however, that no misunderstanding might arise, he thought it necessary to point out that article 1 had certain consequences in article 4. Article 1 stated the number of plenipotentiary delegates, and article 4 said that their credentials would be verified by a committee. He wished to make clear that the French delegates reserved the right, if unforeseen circumstances should arise, to consult the French Government. That was the only observation he wished to make. As regards the number of delegates it was proposed to allot to Russia and Germany, having regard to the size of their population, he saw no objection. He wished, however, to make clear the point that the French delegation might have to consult the French Government.

MR. LLOYD GEORGE said it would be a very serious matter if the representatives of any Great Power were so tied that any question of importance would have to be referred back to their Government. It would delay and retard the work of the conference very seriously. All those present were busy men and could not remain indefinitely, even in so beautiful a climate as that of Genoa. He did not understand, however, that that was M. Barthou's position. There were two reasons why such a limitation would be very undesirable. The first was that to which he had referred, that it would waste time, and the second was that the question would be referred for the decision of people who were not present at the conference and to that extent were not fully and completely informed as to the work at the conference. They would be inclined to view the question not from the point of view of the conference or the needs of Europe, but from a purely national standpoint. Hence it

<sup>5</sup> See No. 19, minute 2, and No. 25.



would be very serious if the representatives of a Great Power were only present really as note-takers and had to refer everything to their Government. He understood, however, that M. Barthou only referred to unforeseen questions. He hoped that none of such would arise. All those present knew the main questions to be considered. Of course, questions might arise unexpectedly in which the French representatives might find it necessary to fortify themselves with a decision from their Government. The main questions, however, were well known and understood, and he hoped he was correct in assuming that in regard to these the French plenipotentiaries were in the same position as the representatives of other Governments.

M. BARTHOUS replied that the French delegation was not at Genoa with its hands tied.<sup>6</sup> He had merely said that in the event of unforeseen questions he might have to refer. It would have to be a sufficiently grave situation which would render it necessary for him to refer to the President of the Council. He recalled that the French delegation was not in quite the same position as the delegations of Great Britain, Italy and Belgium, which were represented by their Prime Ministers and Foreign Ministers. That was the reason why he had had to make this declaration. Under these reservations, however, Mr. Lloyd George might feel assured that the French delegation fully realised the necessity to speed up the work. It was only a question of loyalty, in case questions might arise which it was necessary to refer to the French President of the Council, which had prompted him to make this declaration.

#### *Articles 2, 3 and 4.*

SIGNOR SCHANZER then read articles 2, 3 and 4 of the draft regulations, which were adopted without change.

#### *Article 5.*

SIGNOR SCHANZER then read article 5, stating that the order of precedence would be the alphabetical order of the Powers in the Italian language.

MR. LLOYD GEORGE asked if this meant that Albania and Austria would come first.

SIGNOR SCHANZER said that this would be the case.

M. BARTHOUS said he agreed with Mr. Lloyd George that there would be some inconvenience in this.

MR. LLOYD GEORGE said it would be rather ridiculous if the name of Albania was always called first and Austria second.

SIGNOR SCHANZER said that he agreed that this would be rather absurd if it related to precedence, but he thought this did not apply in the same way to voting. He then entered into an explanation of the order of precedence in which the delegates were being arranged in the Conference Hall. The Italian President of the Council occupied the centre of one table, with the delegation on his left; on his right was the British delegation; to the left of

<sup>6</sup> The first instructions from M. Poincaré to the President of the French Delegation to the Genoa Conference, dated April 6, are printed in *Documents Diplomatiques: Conférence Économique Internationale de Gênes* (Paris, 1922), pp. 44-50.

the Italian delegation the French delegation; to the right of the British delegation the Japanese, and to the left of the French delegation the Belgian delegation. As regards voting, however, in every other conference the alphabetical system had been adopted. This only referred to the calling of the roll and the order of voting.

MR. LLOYD GEORGE said that it was rather ridiculous to call the name of Albania first. Would it not be better, he asked, to call the inviting Powers first, and then the other Powers in order of precedence of population?

M. BARTHOU thought this was rather complicated to work out.

SIGNOR SCHANZER said it had been worked out, and under Mr. Lloyd George's plan the order, after the inviting Powers, would be as follows: Russia, Germany, Poland, Spain, Roumania, Czechoslovakia, Hungary, Holland, Austria, Portugal, &c.

MR. LLOYD GEORGE said that this seemed to introduce no complication.

SIGNOR SCHANZER said that if the alphabetical order, which had been the system adopted in all other conferences, was not to be accepted, Mr. Lloyd George's proposal that the inviting Powers should be called first and then the other Powers in order of their relative populations was before the conference, which should choose between the two.

M. BARTHOU said that the plan proposed partly answered his objections. He understood the idea of the inviting Powers taking precedence, although this question of precedence might have to be raised again, and was more important than a mere matter of protocol. He asked whether Mr. Lloyd George did not think it would be a good plan if the inviting Powers were called first, followed by the other nations in alphabetical order, because he saw certain inconveniences in adopting the population basis.

MR. LLOYD GEORGE said that, if a discussion took place, the important thing would be to know the opinions of the larger Powers. Albania, Austria and Bulgaria, which would come among the first, were all subordinate States. Supposing, for example, the question were one in which Russia were primarily concerned, they would want to know what the Russians thought. The same applied in the case of Germany. To have to plough through long lists of smaller Powers would involve delay. He did not imply the smallest disrespect to the smaller Powers, but he merely thought the procedure was an awkward one.

SIGNOR SCHANZER said that the conference was now in the presence of two proposals: first, Mr. Lloyd George's proposal that the inviting Powers should come first and the other Powers in order of population, which he again read; secondly, the French proposal, which coincided with Mr. Lloyd George's as regards the first part, namely, to begin with the inviting Powers, and then proposed the Italian alphabetical order. There might be a third course, which was one adopted in the Italian Chamber, namely, to choose by lot which Power should be called first, and thereafter to proceed in alphabetical order.

MR. LLOYD GEORGE said he thought that if the alphabetical system were adopted it should be applied to all the Powers. If the inviting Powers were

called first and then the others in alphabetical order, it would be drawing a distinction which might insult the other nations. If the alphabetical system were adopted for all, and Albania were read first, then France and Great Britain would each fall into their own places. He was prepared, therefore, to accept the original Italian proposal, though he thought it looked slightly ridiculous to put very small States first. Still, it might be interpreted as based on the principles of Christian charity. To put the inviting Powers first and the others in alphabetical order he thought was rather insulting, and certainly did not savour of Christian charity. Hence, he would accept the original proposal if France would.

SIGNOR SCHANZER asked for the views of the French, Belgian and Japanese delegates, whether they would adopt the original Italian proposal, namely, alphabetical order in the Italian language.

BARON HAYASHI said he was prepared to accept this. If, however, he might state his personal point of view, he thought the procedure should be as practical as possible, and he would also be quite prepared to accept Mr. Lloyd George's proposal for a population basis.

M. THEUNIS said that Belgium did not mind which system was adopted.

M. BARTHOU said it was not a very important matter, and that it was unnecessary to quarrel about the question of the alphabetical order, which he would accept. He hoped, however, that this did not express the order of precedence.

SIGNOR SCHANZER said that the word 'voting' would be substituted in the draft for the word 'precedence'.

#### *Article 6.*

SIGNOR SCHANZER then read article 6.

M. BARTHOU said he had no remarks to make, only it was necessary to see what lay behind the wording of an article. He gave warning that France would ask that Italy should be given the presidency of the conference, and no doubt the president would either be the President of the Council or the Foreign Secretary. He only gave notice that he thought this was the proper procedure.

MR. LLOYD GEORGE said he agreed.

M. THEUNIS and BARON HAYASHI also agreed.

#### *Articles 7 and 8.*

SIGNOR SCHANZER read articles 7 and 8.

M. BARTHOU said he would like to know the exact scope of this text. He had not the smallest intention of casting any reflection on the Italian secretariat-general, which he knew would do its duty thoroughly well, but he wanted to be sure that the text of the minutes would be submitted to the States concerned before being published.

SIGNOR SCHANZER said this was provided for.

M. BARRÈRE said he supposed that, in any case, the minutes, before becoming official, would be communicated in a draft form to the heads of delegations.

SIGNOR SCHANZER said that this was, of course, provided for.

THE SECRETARY-GENERAL said he hoped the rule in regard to publishing would not apply to the plenary public meetings. There were about thirty delegations, and it might take some time to get the minutes into final shape.

SIGNOR SCHANZER said that the delegates intending to speak at a public meeting would be requested, if possible, to communicate their statements in advance. He realised that it would not always be practicable, because some delegates would prefer to speak extempore. In that case it would be necessary to publish the stenographic version, with the reserve that the original draft would be subject to correction for the final minutes.

MR. LLOYD GEORGE, in regard to article 8, said he wished to give warning that at some stage of this morning's proceedings he desired to raise the question of the admission of the press to the plenary meetings. He understood that, as was usual at these conferences, there was no room for the whole of the representatives of the press. He had been given remarkable figures of the interest the civilised world was taking in this conference, and, for that matter, the uncivilised world, too.

THE SECRETARY GENERAL said that the room, unfortunately, was not large enough to hold more than 220 members of the press. The rule he had given to those responsible for distributing tickets to the press had been to allot them to newspapers and not to newspaper men. Some newspapers had eight or ten representatives at Genoa. Therefore the tickets would be given out to the newspapers, beginning with the most important, and if there was any surplus they would be given to the more important papers.

MR. LLOYD GEORGE asked who was responsible for this distribution. Had the tickets already been allotted to the British, French, Belgian, &c., press, and were the British, French and Belgian secretaries to distribute them to the press of each country?

THE SECRETARY-GENERAL said it was not too late to take a fresh decision. It was for the conference to decide whether the Italian Press Bureau should do it or whether it should be entrusted to the delegations.

SIGNOR SCHANZER said that on the present occasion he thought it would have to be left to the secretariat-general, but after that it might be laid down in the rules of procedure that the national secretariats should distribute the tickets to their own press.

MR. LLOYD GEORGE asked why the secretary-general should not allocate the tickets to each nation and let them distribute them as they thought fit. He understood that had been done at Washington.

SIGNOR SCHANZER said he would have no difficulty in accepting this.

THE SECRETARY-GENERAL said it would even alleviate the difficulties of the secretariat-general.

MR. LLOYD GEORGE suggested that the secretaries of the inviting Powers should meet and arrange as to the numbers to be allotted between the different nations.

M. BARTHOU agreed.

*Article 9.*

SIGNOR SCHANZER read article 9. He said that it was proposed to amend the second paragraph to read, 'that the Powers with the right of appointing five delegates could appoint two members each to each commission'. He then said he would like to give some advance information as to his proposals in regard to the constitution of the different commissions. The work of the conference might be divided into two parts, the first of which involved political questions, such as the Russian question and the conditions of peace. It was proposed to put these in charge of the first commission, and to set up three other commissions dealing respectively with financial, economic and transit questions. If there was no opposition, the article would be adopted.

M. BARTHOU said he had seen this document for the first time. If a political commission was nominated it would have some inconveniences. He asked whether it was proposed that all the Powers should be invited to take part in this commission.

SIGNOR SCHANZER said he would like to give an explanation in regard to this, and he handed round a document on the organisation of the conference (Appendix II).<sup>7</sup> What it was necessary to do was to recognise two separate principles. A great number of Powers had been invited to send representatives, and consequently it was hardly possible to exclude them from the political work of the conference. On the other hand, he was convinced that important decisions would have to be taken first by a restricted number of Powers. Hence, he had contemplated the procedure in the memorandum. In order to meet the first principle he proposed to follow the precedent of other conferences and to allow each Power to send a representative to the political commission, the large Powers sending two. There would then be a general debate, which should not be allowed to last too long. In the body of the commission itself there would then be put forward a proposal to elect a bureau composed of representatives of the Great Powers—Great Britain, France, Italy, Japan, Germany and Russia—this bureau calling in other Powers for the discussion of questions in which they were specially interested. This system would combine the inclusion in the commission of all the Powers, with the working out of the decisions by a smaller number. The bureau would prepare the decisions for submission to the commission itself. This was one of the most important matters. He did not wish to limit the numbers who finally took the decision, and he did wish to avoid offending any States by excluding them. The plan he had suggested provided a compromise.

M. THEUNIS asked if Belgium had been omitted by error from the Powers to constitute the small bureau.

MR. LLOYD GEORGE said he thought the inviting Powers were intended.

SIGNOR SCHANZER said that Belgium had been omitted by error.

M. BARTHOU said he would like to give notice for the adjournment of this question, which, he felt, it was most important to examine at leisure, since it was not one of mere form but introduced matters of substance. He did not

<sup>7</sup> Not printed. For the document as amended by a meeting of the inviting powers at 4 p.m. on April 9, see No. 65, Appendix, below.

wish to discuss at the moment, but he would just give one illustration of the difficulties. He understood that the conference would have to examine the practical execution of the Cannes resolutions. They would have to decide whether Russia was to be admitted to the commission before the conference knew whether she had accepted the Cannes resolutions. This showed how important it was to consider the question carefully. He had only just seen the text, and he would like to have time to examine it before putting forward his views in detail. He therefore asked that the question should be adjourned until the afternoon.

SIGNOR SCHANZER said he saw no difficulty in accepting this.

MR. LLOYD GEORGE said he thought M. Barthou was quite entitled, if he desired, to ask for time to consider the matter.

M. BARTHOU said he was ready personally to discuss it, but he thought it was very important to give some time to such an important question.

#### *Article 10.*

SIGNOR SCHANZER said it would have to be settled to-day. He then read article 10. He said it should be understood that any Power could waive the right of interpreting into its own language, in order to proceed more rapidly. He called attention to the provision that any delegate could speak in his own language, provided that he made his own arrangements for translating into English, French or Italian. He would like to know the views of his colleagues on that.

MR. LLOYD GEORGE thought it advisable to adhere to the terms of the article.

M. BARTHOU agreed.

SIGNOR SCHANZER suggested that it would facilitate the task of interpreting if speeches could be communicated in advance to the secretary-general.

MR. LLOYD GEORGE intimated that he could not undertake to do this.

M. BARTHOU gave the same intimation.

#### *Article 11.*

SIGNOR SCHANZER read article 11.

M. BARTHOU called attention to section II of article 11, where it was suggested that twenty-four hours' notice should be given of proposals, in order to facilitate their discussion. He thought this was not stringent enough. The conference ought to know not only what a delegate wished to raise but also what he was going to raise on the point.

It was agreed—

To omit the word 'notice' in line 3.

#### *Article 12.*

SIGNOR SCHANZER read article 12.

M. BARTHOU said this was very good.

#### *Procedure as regards the Regulations for the Conference.*

2. SIGNOR SCHANZER then raised a question of principle as to whether the

regulations should be distributed to the assembly for discussion, or whether they should be communicated by the president, who would announce the more important questions of principle, and then allow the secretary-general to distribute the complete document outside of the session. If the document were laid before the assembly there would probably be a long discussion which would prove arduous and perhaps delicate. If, however, the president only announced the main principles and left the secretariat to do the rest it would greatly facilitate the work of the conference.

M. BARRÈRE said he had no doubt the second method was better, and that the assembly should not be allowed to discuss the regulations in detail. It was the right of the president, after consulting the inviting Powers, to present the regulations to the assembly.

MR. LLOYD GEORGE said he agreed.

M. BARTHOU was even more emphatic. He thought it would be positively dangerous to say, 'Here are the rules', and to lay them before the conference in full session. Someone would be certain to object, and a discussion would be raised which would involve not only details but the whole question of substance.

MR. LLOYD GEORGE fully agreed with M. Barthou.

SIGNOR SCHANZER said that of course he had no objection, and as the president would very probably be an Italian he must be prepared to reconcile any difficulties which might arise. When the president announced that these rules would be adopted, somebody was almost certain to raise an objection. In that event he hoped his colleagues would be prepared to support the president. He was in the presence of men more competent and more experienced than himself in these matters, but he himself had taken part in a good many conferences of one kind and another. He would have to be prepared, therefore, to say that these were the rules, and to answer any objection that might be raised. In that case he hoped he would be supported.

MR. LLOYD GEORGE said he agreed with Signor Schanzer.

M. BARTHOU said that their responsibility was collective and that they must be prepared to support the Italian president.

#### *Article 8.*

MR. LLOYD GEORGE reverted to article 8, dealing with publicity, and pointed out that it was stated that the plenary meetings would be public, but it was not stated that the commissions would not be public.

SIGNOR SCHANZER suggested that Mr. Lloyd George's difficulty would be met by stating that the plenary meetings alone would be public.

This proposal was adopted.

#### *Publicity.*

3. SIGNOR SCHANZER asked what was to be told to the press regarding the morning's meeting.

MR. LLOYD GEORGE said it was merely necessary to say that the conference had been considering rules of procedure and had adjourned, and that there had been the most complete accord.

M. BARTHOUS suggested they should leave out the words 'rules of procedure', and say that they had been considering questions of procedure.

This was accepted.

*(The conference then adjourned until 4 p.m.)*

*Hotel Miramare, Genoa, April 9, 1922.*

## APPENDIX I NO. 64

(No. 3. Third Draft.)

### *Draft Rules of Procedure for the Conference*

#### ARTICLE 1.

##### *Constitution of the Conference.*

##### *Delegates.*

The International Economic Conference, convened at the invitation of the Italian Government on behalf of the Powers represented at the Cannes Conference, consists of plenipotentiaries appointed by the States invited to attend.

The number of these delegates is five for the Powers which convened the conference and two for the remaining Powers.

Each delegation will have one vote only.

Written notice of the appointment of delegates must be sent to the Italian Government or to the president of the conference.

#### ARTICLE 2.

##### *Deputies.*

Each State represented at the conference is entitled to appoint deputies of the same number as its plenipotentiaries.

#### ARTICLE 3.

##### *Technical Advisers.*

The plenipotentiaries of each State may be accompanied by technical advisers. Written notice of the appointment of these advisers must be sent to the Italian Government or to the secretary-general of the conference.

#### ARTICLE 4.

##### *Credentials.*

All plenipotentiaries are requested to hand in their credentials at the earliest possible moment to the secretary-general's office.

A committee for the verification of credentials consisting of one delegate from each of the Powers convening the conference will at once proceed to verify the credentials of the delegates.

#### ARTICLE 5.

##### *Order of Precedence.*

The order of precedence will be the alphabetical order of the names of the Powers in the Italian language.



## ARTICLE 6.

### *Bureau of the Conference.*

The appointment of the regular president will be made at the first meeting. In the absence of the president, the duties of his office will be performed by the head of the delegation to which the president belongs.

The Prime Minister of Italy will provisionally act as president of the conference until the regular president has been appointed.

The control of the debates of the conference will be exercised by the president.

The president is empowered by the assembly to take any measures which he may consider necessary for the conduct of the debates.

The president, together with the presidents of the commissions, will form the bureau entrusted with the duty of drawing up the agenda and with the consideration of all questions of procedure.

## ARTICLE 7.

### *The Secretariat.*

The secretariat will be directed by an Italian secretary-general, assisted by the chiefs of the secretariats of the delegations of the Powers convening the conference.

The secretariat is placed under the control and authority of the president.

The secretaries designated by the delegations to follow the work of the conference and to collaborate in drafting the minutes will also be attached to the secretariat.

The secretariat [will be] especially entrusted with the duty of receiving communications and translating the documents, reports and resolutions bearing on the labours of the conference, translating the speeches delivered during the meetings, drafting and communicating the minutes of the meetings, and, generally, of performing any tasks which the conference may see fit to assign to it.

Members of the conference will always have access to the records.

## ARTICLE 8.

### *Publicity of the Proceedings.*

The publicity of the proceedings will be provided for by means of official communiqués drawn up by the secretariat, with the approval of the president of the conference. The plenary meetings will be public, except when otherwise notified. Members of the public will be admitted on production of cards issued by the secretariat-general.

## ARTICLE 9.

### *Commissions.*

Commissions will be formed to consider the questions on the agenda.

Each delegation may appoint one delegate to sit on each of the commissions; the Powers which convened the conference will appoint two delegates each for this purpose.

The same delegate may sit on several commissions.

All the commissions will be empowered to divide themselves into sub-commissions.

#### ARTICLE 10.

##### *Official Languages.*

The official languages of the conference are Italian, French and English.

Speeches delivered in one of these three languages will be translated into the other two by an interpreter attached to the secretariat.

Any delegate speaking in another language will have to make provision for the translation of his speech into Italian, French or English.

All documents, proposals and reports communicated to members of the conference by the president or by the secretariat will have to be drawn up in Italian, French and English.

Any delegate will be entitled to distribute documents written in other languages than Italian, French or English, but the secretariat will not be required to provide for their translation and printing.

#### ARTICLE 11.

##### *Documents, Proposals, &c.*

1. Documents, proposals, &c., must be communicated in writing to the president, who will cause copies to be distributed to the delegates.

Documents and proposals can only be submitted by or on behalf of a plenipotentiary.

2. Except in the case of proposals relating to questions on the agenda, or which arise out of the debates, delegates who desire to submit proposals must give twenty-four hours' notice in order to facilitate their discussions.

Exceptions may, however, be made to this rule in the case of amendments or secondary questions.

3. Petitions, memoranda and documents addressed to the conference and emanating from any other person than a plenipotentiary must be handed in to the secretariat, which will communicate them to the president's bureau.

All these papers will be preserved in the records of the conference.

#### ARTICLE 12.

##### *Minutes of the Meetings.*

The provisional minutes of the meetings, drawn up by the secretariat, will be distributed to the delegations as early as possible.

The minutes, with any amendments and corrections which the delegates may make, must be returned to the secretary-general's office within twenty-four hours after distribution.

In order to expedite the proceedings this distribution will be considered as equivalent to the reading of the minutes at the opening of each meeting.

If no correction is asked for by the plenipotentiaries, the text, as distributed, will be considered as having been approved and will be placed in the records.

If a correction affecting the substance of a report is asked for, the president will read the proposed modification at the opening of the next meeting.

*Genoa, April 7, 1922.*

I.C.P. 238] *British Secretary's Notes of an Informal Meeting of the Inviting Powers to the Genoa Conference, held at the Palazzo Reale, Genoa, on Sunday, April 9, 1922, at 4 p.m.*

**PRESENT:** *Belgium:* M. Theunis, M. Jaspar; **SECRETARIES:** Viscount Davignon, Viscount Terlinden.

*British Empire:* The Rt. Hon. D. Lloyd George, O.M., M.P., The Rt. Hon. Sir R. Horne, G.B.E., K.C., M.P., The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P.; **SECRETARIES:** Sir Maurice Hankey, G.C.B., Sir Edward Grigg, K.C.V.O., C.M.G., Mr. Fergusson.

*France:* M. Barthou, M. Colrat, M. Barrère; **SECRETARIES:** M. Massigli, M. Lagarde.

*Italy:* Signor Facta (*in the Chair*), Signor Schanzer, Signor Peano, Signor Bertone, Signor Rossi; **SECRETARIES:** Marquis Durazzo, The Marquis Visconti Venosta, Dr. Giannini, Signor Buti, Signor Bertole, Signor Varvaro, Signor Zanchi, Baron Russo.

*Japan:* Baron Hayashi, Viscount Ishii, M. Kengo Mori; **SECRETARIES:** M. Okamoto, M. Ashida.

**SECRETARY-GENERAL:** Baron Romano Avezana.

**INTERPRETERS:** M. Camerlynck, M. Barome, Mme. Agresti.

### *Organisation of the Conference.*

1. SIGNOR FACTA declared the meeting to be open.

SIGNOR SCHANZER stated that the discussion which had taken place in the morning<sup>1</sup> would be resumed. At the morning meeting the discussion had touched on the establishment of the commission to deal with political questions. He had suggested the establishment of a small body, but at this point the French delegation had moved the adjournment. The meeting would now review the whole situation, because this particular question was connected with all the questions on the agenda.

The idea of the Italian delegation was that it would be a good thing to have a full debate at the opening meeting of the conference, but this might take too much time. It might not, however, be possible to prevent some of the principal States from speaking, such as, for instance, Germany and Russia. The order of proceedings at the opening meeting would be: a speech by the President of the Italian Council; the election of the president of the conference, then, if the president of the conference was the Italian Prime Minister, he would make a speech; and finally, the principal Powers, including Germany and Russia, would speak. He thought this was the procedure which would be decided on. If every State spoke it might be necessary to hold a further meeting next day, but he hoped that some of the States would refrain from speaking and that it might be possible to finish the opening session on the first day.

<sup>1</sup> See No. 64.

As regards the character of the speeches to be made, he understood that the French delegation held certain views in regard to the position of Russia. He would like to hear if his colleagues were in agreement in regard to the procedure which he had proposed. He would then deal with the constitution of the Political Commission. He thought that it would be better to discuss procedure at to-morrow's meeting first.

M. BARTHOU said that it was impossible to ignore the importance of the questions raised by Signor Schanzer. The question considered at this morning's meeting was not merely one of procedure, and, having heard Signor Schanzer's speech, he wished to say that in his view the whole orientation of the conference would be settled by the decisions taken in regard to the constitution of the commissions. This morning's discussion had related to procedure, but now Signor Schanzer had taken a new standpoint and proposed to deal with the composition of the commissions. He was in agreement with this proposal and so was the whole French delegation. What were Signor Schanzer's proposals? They were as follows: That the first meeting of the conference would be opened by the Italian President of the Council, who would welcome the delegations of the Powers and would express the hope that the conference would prove a success. It would, however, not be sufficient if the opening statement were confined merely to this and nothing else. The reason was that after the president had opened the conference the principal Powers would speak, that is, the convening Powers. When they had ceased, the second group of Powers, consisting of Germany and Russia, would take their turn, and finally others would apply to speak and a third phase of the discussion would begin which it was possible might run on until Tuesday. He had no observations to make as regards the length of the opening conference, although he was in favour of passing to action immediately; but, as regards the procedure suggested, he thought that the proposition amounted to the establishment of three grades of Powers: the Great Powers, that is, the convening Powers; secondly, Germany and Russia; and thirdly the other Powers. It would therefore appear that to-morrow before any questions were asked and before any guarantees were exacted, Germany and Russia would be allowed to speak and to say what they liked, and this before other Powers who had helped the Allies to win the war had spoken. Then those Powers which had provoked the war would be given priority of speech before the smaller Allies.

As regards the League of Nations, he desired to say that the French Government and the French Parliament both desired the work of that body to be a success, and if the statement made by M. Poincaré had been received with a few dissentient votes it was not because the question had been considered on its merits. There was a strong feeling in France in regard to the usefulness of the League of Nations. Germany and Russia were not members of the League. Germany had applied and had been refused admission.<sup>2</sup>

<sup>2</sup> See H. W. V. Temperley (ed.), *A History of the Peace Conference of Paris*, op. cit., vol. ii, pp. 270-4.

Russia did not wish to belong to the League. We would, therefore, if the procedure proposed by Signor Schanzer were adopted, be giving to Germany and Russia, who were not members of the League, priority over Spain and Sweden, who were members of the League. This was a second reason for not agreeing to Signor Schanzer's proposals.

He thought it was desirable that amongst friends and Allies complete frankness should exist, and he wished to say that the whole of the French delegation, faithful to the feeling of the French people and Parliament, ardently desired the success of the Genoa Conference. When Mr. Lloyd George made his celebrated speech at Cannes and proposed the conference in order to heal the wounds of Europe,<sup>3</sup> all Frenchmen realised the necessity of Genoa, and the French delegation had come to Genoa full of the knowledge of its importance. But there were certain conditions<sup>4</sup> attached to the Genoa Conference, and he desired to refer to these conditions, which were laid down at Cannes. At Cannes, in the first place, a number of conditions had been considered, and, in the second, practical methods of giving effect to the Cannes resolutions. It was, therefore, a duty of all the Powers represented at Cannes to accept the conditions laid down at Cannes. They were well known, and there was no need to repeat them. If, however, the procedure suggested by Signor Schanzer were followed, when would the Allies know if Germany or Russia agreed to the Cannes conditions, and how would they know? Were Germany and Russia to speak, then to become members of the commission, and finally to give an answer to the questions to be put to them? It would be impossible for the French delegation to agree that Germany and Russia should speak without first saying what their position was. The procedure of the conference must be in agreement with the Cannes decisions and the vote of the French Parliament. If in the speech of the Italian president there were some words containing a definite statement to the effect that certain conditions would have to be accepted, for instance, if the president said that all the Powers present had received invitations, all the Powers present knew the programme of the conference and the subjects which would be considered; that they also knew in advance the conditions of the conference which had been laid down, and that the mere fact of their presence constituted an acceptance of these conditions, some words such as these, he thought, would meet the situation. But as for allowing the Germans and Russians to speak without saying that they accepted the conditions, that was impossible. For instance, the Russians might refuse to recognise their debts, Germany might raise the question of reparations, and a serious situation would arise in either event. There was no saying to what lengths the audacity of Germany might go, and what hypocrisy she might practise. Russia might also use this opportunity in order to make a propagandist speech in favour of Bolshevism. His remarks were intended to be expressed in a friendly manner, but he wished to say most emphatically that the French Government could not tolerate any such situation. The convening Powers must face the problem now. They could not adjourn this question

<sup>3</sup> See No. 5.

<sup>4</sup> See No. 6, Appendix.

until the conference, as in that event they would be sitting at the same table with Germans and Russians.

This was all he had to say. The burden of his remarks had been made public at Cannes and had been fully set out in the memorandum by the French Prime Minister dated the 31st January.<sup>5</sup> The French delegation did not depart from the policy laid down at Cannes. They regarded Cannes as the starting-point and Genoa as the goal. Very possibly Genoa might also become the starting-point of something of extraordinary importance. He was not here to destroy what had been done at Cannes. It was of importance to say that. He solely asked that the questions he had raised should be considered. He did not ask this in a brutal fashion or with a desire to raise disputes, but simply in order that it should be publicly stated that the presence of certain countries at Genoa involved their acceptance of the Cannes conditions.

MR. LLOYD GEORGE said that he was at a disadvantage since he was not able to follow speeches delivered in the French language, but from the fervour with which M. Barthou had delivered his speech, he had thought that M. Barthou was raising a question of great importance, which would create an explosion. When the speech was translated in M. Camerlynck's calm accents, he found that it was mainly a question as to whether the Russians should speak first or last. M. Barthou was such an orator that he could raise a great deal of excitement in regard to a question which had not stirred the spirit of the phlegmatic British. He did not think that M. Barthou had said anything with which the British delegation could disagree—in the main, that was. In substance the British delegation could agree with what M. Barthou had said; he did not know, however, what he meant by the privileged position accorded to Russia and Germany. The only privileged position was that the conference would ask them what their view was before it heard the speeches of thirty other Powers. M. Barthou, at the end of his speech, was himself most anxious to know what the Russian and German views were in regard to the acceptance of the Cannes conditions, and yet in order to attain that object he proposed a procedure under which the reply would be postponed for several hours. He believed so much in the last part of M. Barthou's speech that he could not accept the first part.

The thing that mattered was, where were the Allies in regard to Germany and Russia? That was the important thing, and, if they wished to know this, why should they quarrel on the question as to whether the small Powers spoke before Germany and Russia or not? He suggested that after the speech by the president, M. Barthou, and, he hoped, himself, would speak, and that in the course of these speeches the question would be put quite plainly to the Russians and the Germans: 'Do you accept the Cannes conditions?' Instead of postponing this question, the Allies would ask them to reply at once. M. Barthou was not afraid of the Russian and German speeches. He thought they were both too old parliamentary hands to be afraid of speeches. Speeches by a Russian or a German were no more terrible than speeches by a French-

<sup>5</sup> See *Documents Diplomatiques*, pp. 18–22, where the memorandum is dated February 1st.

man or an Englishman. The Russians had made speeches for years, and the consequence was that they had come to see that Communism was a failure. As for the Germans, they had accepted the Cannes conditions. They were present at Cannes and they accepted them then and there.<sup>6</sup> But he was all in favour of the question being put by the Chairman, and he and M. Barthou would reinforce the Chairman and ask whether they accepted the Cannes conditions. But he wished to remark that the Russians and Germans could only accept in principle, because the working out of the conditions was just the thing for which they had established a commission. For this reason he did not see anything so very controversial in what M. Barthou had said.

He did not quite follow M. Barthou's reference to the League of Nations. He was glad to see M. Barthou's enthusiasm for the League. He himself had assisted in the setting up of the League, and he did not know that it had evoked the same enthusiasm at the time when it was set up. The League of Nations was an accepted thing. Germany was not in it because the Allies had not let her join, and Russia would have to accept conditions to get in. He hoped that the question of privileges would not be raised. If it was said that first of all there were great Allies in a specially privileged position, and then the small Allies with some privileges, and then the [Germans] and the Bolsheviks with no privileges at all, he thought it would be disastrous. M. Barthou had remarked that he wished the Genoa Conference to be a success, and this would not be the way to make it such. There must be no oriental castes among the nations. If he had to describe what Russia had done, he could say a great deal. He had been a Minister right through the war, and Russia had saved France in the beginning. The Marne would not have happened but for what Russia had done. In the first two years she had done marvels, when she had no guns and no munitions through the fault of her own Government. No peasantry in the world could have stood what the Russians had stood. They must not forget what Russia had done for the Allies in the first two years of the war. True, they went out of the war before the end; so did Roumania,<sup>7</sup> and for the same reason: both of them were beaten to the ground. For this reason the Allies should not forget what Russia had done. He was in favour of the president of the conference making the statement which M. Barthou had suggested. He might say that the mere fact that the nations had come together after the announcement of the conditions of the conference was a proof that they accepted these conditions. He was in favour of the proposal that the Russians and Germans should be asked to accept these conditions, but he was also in favour of giving them the earliest opportunity of answering. It was idle to go on discussing them, because if Russia said she did not accept them, obviously they ought to adjourn without loss of time to consider their position.

SIGNOR SCHANZER stated that the proposals which he had made did not, in

<sup>6</sup> See No. 25.

<sup>7</sup> Roumania had signed a final peace treaty with Germany at Bucharest on May 7, 1918 (see *B.F.S.P.*, vol. 123, pp. 727-40).

his opinion, call for so lively a criticism as had been made by M. Barthou. He had not said anything about the nature of the statement to be made at the opening meeting, because he desired to leave that question for discussion.

As regards the order in which the Powers were to speak at the opening session, he had thought it desirable to do away with the distinction between the conquerors and the conquered, and it was for this reason that he had proposed that the convening Powers should speak first, and should then be followed by Germany and Russia. But the President of the Italian Council, whom he had consulted, saw no difficulty in making the statement suggested by M. Barthou. He would say that any delegate who wished to speak might do so, and he would remind his hearers that the conference had been convened on the basis of the Cannes resolutions. The presence of the Powers at this meeting showed that they stood by the Cannes conditions. He thought that there was no objection to M. Barthou's proposals, and that they might be accepted.

M. BARTHOUS said that it was not his habit to prolong a debate when an agreement had already been reached. He would therefore say nothing as regards Mr. Lloyd George's witty speech.

As regards the question of the Russians speaking, he had not suggested that they should speak at the end. His suggestion had been that the President of the Italian Council might say that the presence of the countries at the conference meant their acceptance of the Cannes resolutions. Signor Schanzer had not made this proposal in his first speech, although he had done so in his second, and while he (M. Barthou) was replying to Signor Schanzer, Mr. Lloyd George had made remarks directed at him. But, as the result was that agreement had been reached, he would say that speeches could do some good. He would like to answer one part of Mr. Lloyd George's speech, namely, that which related to the Russians. He agreed that up to 1917 the Russians had fought with and assisted the Allies very greatly, but Lenin and his friends came into power in 1917 and protracted the war. He remembered a speech by Mr. Lloyd George in which it was said that sufferings and hardships did not admit of computation in statistics.<sup>8</sup> This was a very true saying, and many and dreadful were the sufferings imposed on the Allies by the default of Russia.

Signor Schanzer had said that it was necessary to have a clear arrangement as regards procedure. He agreed, and was anxious to have such an arrangement. It was said that Russia and Germany must accept the Cannes conditions, but the wording of their acceptance was important. In the Cannes conditions the word 'fundamental' was used, while in the discussion at the present meeting the phrase 'basis of discussion' had been used. The question to be put by the president was whether Russia did accept the fundamental conditions laid down at Cannes. If this was agreed to, then there was complete accord between the Allies.

MR. LLOYD GEORGE thanked M. Barthou for this speech. M. Barthou and he were old friends and would never quarrel, even if they did disagree at

<sup>8</sup> The reference is presumably to No. 5.



times. All that the Allies could do at to-morrow's meeting was to ask the Russians to accept the principles of the Cannes resolutions. For instance, take 3 (b) of the fundamental conditions, which provides that certain Governments would establish a legal and juridical system which sanctions and enforces contracts with impartiality. This provision was of the greatest importance. British traders were not prepared to go to Russia unless the Russian courts were freed from control of the executive. The British attached the greatest importance to the establishment of an independent juridical system. It would, however, be impossible to ask for details to-morrow. The discussion of such a system would take place later in the commissions.

As regards 3 (c), which required that certain Governments should recognise their debts and obligations, all that could be asked was whether the Russian Government accepted this principle. The same applied to 6, which required all countries to join in an undertaking to refrain from aggression. All that could be asked was whether the countries accepted these proposals *en principe*. If details were gone into the Russians would bring forward other details. All that could be said was, 'Will you accept *en principe*?' Details could not be discussed at a plenary session. He was, in fact, in agreement with M. Barthou.

There was no object in discussing matters with the Russians unless they accepted these principles. If the Russians did not accept them, the reply should be from all the convening Powers: 'Gentlemen, you do not accept conditions under which all civilised communities act.' If the Russians still refused, the convening Powers should have nothing more to say to them, but he wished to repeat that details should not be discussed to-morrow in the plenary session. During the translation of his speech, Mr. Lloyd George added, in connection with his above remark on paragraph 3 (a) of the fundamental conditions laid down at Cannes, that there were many questions of great importance which would come up for discussion if anything more than assent in principle were asked for. Such questions were: On what basis should the debts be computed? At what value should the rouble be taken? From what date should the computation be made? Should there be new bonds for issue, for instance, to the French investor, and, if so, on what basis should these bonds be issued? These questions could not be discussed at the plenary session, but would have to be taken in detail at the commissions.

M. BARTHOUS said that he did not propose to prolong the discussion on phraseology, and that he quite agreed with Mr. Lloyd George in his suggestion that details of the general principles must be discussed in commission. At the Cannes Conference it had been decided that the Genoa Conference would discuss the practical application of the principles laid down at Cannes. Absolute freedom of discussion should be given to all nations, but he desired to suggest that the language of the Cannes resolutions should be used. The French and the English proposals were fundamentally the system [*sic*] and if the actual wording adopted at Cannes were used there would be absolute agreement.

SIGNOR SCHANZER stated that he had consulted on this question with the

Italian Prime Minister, and that he did not propose to stand by the phrase 'basis of discussion'. He was ready to suppress this phrase. There was real agreement in the discussion amongst all present, and he wished to decide now the form of the statement which would be made to-morrow by the president of the conference.

After asking whether any delegates intended to speak, and saying that they might do so if they wished, the president would make a declaration in the following terms: 'I shall now ask those delegates who wish to speak to do so, but first I wish to make a statement. The conference has been convened on the basis of the Cannes resolutions, and the mere fact that the Powers have come here shows that they have accepted the principles embodied in the Cannes resolutions.'

M. BARTHOU expressed his complete agreement with Signor Schanzer's proposals.

#### *Composition of Political Commission.*

2. SIGNOR FACTA said that he hoped that all speeches would be finished in one sitting, but if this were not possible the conference could be adjourned to the next day, though this was undesirable. At the end of the first meeting the president would make a statement in regard to procedure, and they would then proceed to appoint commissions. It was necessary that at the present meeting agreement should be reached on the question of the Political Commission.

There was a proposal made at the meeting in the morning to form a 'bureau' of the States to enable the Political Commission to carry out its duties. This bureau would call in representatives of the Powers interested. It was on this proposal that the French representatives had moved the adjournment.

MR. LLOYD GEORGE stated that he understood that in view of the fact that business could not be transacted properly in a big committee, the small Powers were prepared to assent to the creation of small committees provided that they were called in on questions with which they were specially concerned. The representatives of the small Powers were just as anxious as those of the great Powers to be away from their countries for as short a time as possible.

M. BARTHOU stated that since the meeting was agreed as to the title of the commission, they should now discuss its composition. Would the commission be a permanent body or an occasional body? Some Powers would always be represented on it, and others would be called in. The Commission would of course be permanent only during the conference. It would not outlive the Genoa Conference and continue in the manner of a supreme council. The convening Powers, that is, Great Britain, Italy, Belgium, Japan and France, should sit on the commission because they had decided on the invitations and had agreed on the programme, but why should Germany and Russia be introduced? Mr. Lloyd George was right in saying that the small Powers would agree to the establishment of small commissions, but the Little

Entente would not be satisfied if they knew that Germany and Russia were sitting on the commission whilst they were left out. Why should a special privilege be given to Germany and Russia whilst other countries who had fought on the side of the Allies during the war were excluded? Why should not Germany and Russia be called in when questions concerning them were discussed? Why should they be allowed to sit as members of the commission when certain questions arising between the Allies were not settled?

MR. LLOYD GEORGE replied that he did not see the force of the objection raised by M. Barthou. He did not see the point of the creation of a bureau, what was the object of the creation of a bureau? He would prefer the title 'executive committee'. The object of the 'executive committee' would be to discuss only things affecting Germany and Russia, such as, Would they pay their debts? In what form would payment be made? It had been said that to sit on this committee was a privilege. It was the first time that he had heard it described as a privilege for a man to pay his debts. The Allies proposed to ask Russia to enter the committee and state what Russia was prepared to pay, and whether it would be paid in instalments. This was a privilege which most people would willingly forgo. It would be said tomorrow that if the Russians and Germans accepted the principles, this committee would be established to discuss the principles concerned.

As regards the third fundamental condition laid down at Cannes, surely Germany and Russia were required for the discussion of this. There was no need for the Allies to discuss amongst themselves, but discussion with Germany and Russia was necessary in regard to the method of carrying out the principles laid down at Cannes. He did not see how this discussion could take place unless Germany and Russia were admitted to the committee. The Allied experts had met to discuss the conditions laid down at Cannes,<sup>9</sup> and they had prepared very elaborate conditions. There was, therefore, no advantage in the Allies holding further meetings amongst themselves. What was required was a discussion with the persons with whom the Allies wished to do business.

SIGNOR SCHANZER stated that he desired to make a declaration in the name of the Italian Government to the effect that they thought that Germany and Russia should be included as members of the commission. The questions discussed were of the greatest importance, and the presence of Germany and Russia was essential. These countries could not be left out of a discussion on the reconstruction of Europe. If they were, the character of the conference would be changed. It was a great historical fact that this conference would be the first meeting between the conquerors and the conquered without any distinction being made between them. If Germany and Russia were excluded from the commissions the conference would change its character. There would be no object in calling the conference if the distinction of conquerors and conquered were maintained.

M. BARTHOU then suggested that, as a compromise, two representatives of the Little Entente and two representatives of the neutrals should be appointed

<sup>9</sup> See No. 56.

as members of the Political Commission, if representatives of Germany and Russia were allowed to serve on this commission.

MR. LLOYD GEORGE asked M. Barthou if he thought that these States would agree to this proposal. He would not oppose the suggestion if the States concerned would agree.

M. BARTHOU said he thought they would.

MR. LLOYD GEORGE said that there would then be no objection.

SIGNOR SCHANZER said that the Italian delegation foresaw certain difficulties, but that, if possible, they would also give their assent.

MR. LLOYD GEORGE suggested that during the period in which the States concerned were arriving at an agreement the committee should continue with its work.

M. BARTHOU asked whether the commission would work during this period with representatives of Germany and Russia.

MR. LLOYD GEORGE replied that they would work with anybody who was ready.

M. BARTHOU asked whether Germany and Russia would be represented on the full commission or on the sub-commission.

MR. LLOYD GEORGE replied that they would be represented on the sub-commission as well as the full commission.

M. BARTHOU again repeated that if this was so, Germany and Russia would be taking part in the work of the commission whilst other States concerned were not represented.

MR. LLOYD GEORGE replied that if the other States could not agree he did not wish the whole negotiations to stop.

M. BARTHOU stated that he preferred the term 'sous-commission' to the term 'comité'.

MR. LLOYD GEORGE said that he did not object.

M. BARTHOU suggested that it should be agreed that the first commission would meet and would settle the question of setting up a smaller commission. It did not enter the minds of the French delegation to exclude Russia from questions affecting Russia, or Germany from questions affecting Germany.

M. THEUNIS stated that there was obviously a slight misunderstanding, and that Signor Schanzer had said that it was of great importance that at the Genoa Conference there should be no distinction between the victors or the vanquished, and that both parties should be placed on a footing of absolute equality. At the Cannes Conference the Allies had passed resolutions and had communicated decisions, and Signor Schanzer wished to avoid the appearance of imposing conditions at Genoa. He thought that M. Barthou agreed to Signor Schanzer's proposal. There was no question of imposing conditions on a beaten people as at Versailles. All would agree on the question of principle, and the problem was purely one of form. The French and Belgian delegations were anxious to avoid not so much giving an impression of absolute equality between the nations represented at Genoa, but appearing to give a privileged position to Germany and Russia over other nations. It was essential to be careful of public opinion in this matter. He had no

desire to humiliate any nation, but it was necessary to avoid giving control to two Powers while other countries had no say in the questions discussed.

SIGNOR SCHANZER remarked that the Allies had stated at Cannes the conditions of meeting Germany and Russia;<sup>4</sup> if Russia and Germany complied with these conditions he could not see why discussions could not be entered into with them. These two States consisted of 120,000,000 and 63,000,000 persons respectively. They were of the greatest importance. M. Theunis had spoken of public opinion in Belgium, he would speak of Italian public opinion which would not understand any refusal to agree with his suggestion.

M. KENGO MORI remarked that the object of the bureau was to discuss questions with Russia. He thought that its object was to construct a means of negotiating with the Russian delegates. If so, there were two parties to a negotiation, and therefore it was only natural to include in the bureau Powers other than Russia, and not to include Russia. The Japanese delegation had no objection to the object of the proposed commission on the understanding that the commission was established to carry on discussions with Russia, and that Russia did not form a part of the commission.

MR. LLOYD GEORGE stated that the meeting was agreed that the inviting Powers should be members of the commission and also Russia and Germany. If the Little Entente agreed to have one representative and the neutrals also, there was no objection, but the whole business of the commission could not be stopped until they reached an agreement.

M. BARTHOU remarked that the meeting was agreed in substance that Russia would have to sit on the commission in nine cases out of ten, so that practically a Russian would be a member of the commission. French public opinion must be considered. It would offend public opinion if the commission were to set up a sub-commission of convening Powers and at once admit Russia and Germany to the sub-commission. Why not say at once that the sub-commission would be constituted of the convening Powers, and that any Power interested in a particular question would be admitted to its meetings? He had shown a spirit of compromise, and he urged that the same spirit should be exhibited by representatives of other countries.

MR. LLOYD GEORGE replied that no good purpose would be served if immediately a concession was given it was withdrawn. M. Barthou had proposed a compromise, namely, that the Little Entente should have a representative on the commission. Then M. Theunis had spoken, and on this M. Barthou had withdrawn his suggestion. Were the Allies to allow Czechoslovakia to be represented on the commission and not Russia? Would Belgian public opinion really not tolerate Russia with a population of 123,000,000 being represented on the commission? Was Germany, with 63,000,000 people, to sit on the doorstep until she was called in? This could not be done. It would be better to close the proceedings of the conference and say openly, that there were certain Powers represented at it who were not prepared to discuss openly with these Great Powers, Germany and Russia. M. Barthou had suggested a compromise which had been supported

by Italy, and he had then withdrawn it. He asked M. Barthou to accept the principle that the sub-commission should have as members representatives of the convening Powers and representatives of Russia and Germany, and that the neutrals and the Little Entente should each have one representative.

M. THEUNIS stated that there was an apparent misunderstanding, but in reality there was agreement. There had been a misunderstanding in regard to the meaning of the French word 'bureau'. There was no question of preventing Russia and Germany from being represented on the sub-commission. If the discussion related to Russian questions, Russia would be included in the sub-commission at once. There might be four groups of Powers represented on the sub-commission in addition to the convening Powers, namely, Russia, Germany, the Little Entente and the neutrals.

MR. LLOYD GEORGE asked if M. Theunis would object if the body in question were called a sub-committee and not a bureau.

M. THEUNIS agreed to this change of title. The whole misunderstanding had arisen from the idea that the bureau was a directing body. He quite agreed to the proposal that the title should be changed to sub-committee.

M. BARTHOU said that he wished to carry on the conversation with Mr. Lloyd George with the feeling of friendship which had existed so far, and he did not, therefore, propose to object to some of Mr. Lloyd George's expressions. He had been charged with contradiction. He was not humiliated by this accusation, since it was possible the same thing might happen to other persons. He suggested the following proposal embodying the idea of the French delegation: That the words in section 1 of the statement entitled 'Organisation of the Conference' (see Appendix II of I.C.P. 237)<sup>10</sup> should be allowed to remain down to the words 'represented on this commission', but that after these words it should be stated that in order to enable the commission to carry out its duties there would be a sub-commission on which Germany and Russia would sit. He suggested that the phrase should be, 'owing to the character of the questions to be dealt with by the sub-commission, Germany and Russia will sit as members of the sub-commission, together with one representative of the Little Entente and one representative of the neutral countries.' If Germany and Russia were admitted to a special position it was because of the special character of the discussions.

SIGNOR SCHANZER agreed that Russia and Germany were to form parts of the sub-commission and that M. Barthou's formula should be accepted.

M. BARTHOU enquired if Mr. Lloyd George accepted this formula.

MR. LLOYD GEORGE replied in the affirmative. He was not sure if Poland were covered by the term 'Little Entente'. Would it not be better to say 'the other States'? The Baltic States were very specially affected, since they might be called on to pay a part of the Russian debt. Poland certainly would be called on to do so. He suggested that the term could be altered to 'other States' so as to give all Powers a chance.

M. BARTHOU suggested that the phrase should be 'other Allied States'.

MR. LLOYD GEORGE disagreed.

<sup>10</sup> Not printed: for the version of this document as amended, see Appendix, below.

SIGNOR SCHANZER remarked that there would be only two representatives for all the other States. He would prefer to raise this number to three or four.

MR. LLOYD GEORGE pointed out that the result would be a large body.

M. BARTHOU suggested that a sub-commission of twelve did not represent a big proportion out of thirty-two members. He suggested that four members should be nominated for all States other than the convening Powers and Germany and Russia.

MR. LLOYD GEORGE accepted M. Barthou's proposals.

M. BARTHOU stated that he presumed it would still be possible to call in other States if they were interested in any question.

MR. LLOYD GEORGE agreed.

M. BARTHOU suggested that the final sentence of paragraph 1 of the memorandum entitled 'Organisation of the Conference' (Appendix II to I.C.P. 237)<sup>10</sup> should be suppressed, since the provision made in it was obvious.

SIGNOR SCHANZER agreed and asked whether the meeting agreed to the appointment of the other commissions mentioned in paragraphs 2 to 7 of the statement entitled 'Organisation of the Conference'. He also asked whether it was agreed that the chairmen of the commissions should be elected from amongst the convening Powers and the vice-chairmen from amongst those convening Powers who did not possess a chairman?

General agreement was expressed with this proposal.

(The document as approved is reproduced as an appendix to these minutes.)

SIR ROBERT HORNE suggested that paragraph 3 (a) should be extended to cover tariffs.

M. BARTHOU replied that he had no objection.

SIR ROBERT HORNE explained that the conditions in Middle Europe were largely the result of tariffs there.

M. BARTHOU accepted Sir Robert Horne's proposal.

SIR ROBERT HORNE suggested that the phraseology of the document should not be treated as final. Some of the commissions might overlap and some of the subjects referred to them might need to be omitted. If that happened the commissions could come to an agreement amongst themselves, he supposed.

#### *Procedure at Plenary Conference.*

3. MR. LLOYD GEORGE remarked that he had been informed that telegraphic communication between Genoa and England was working slowly. It took seven hours for messages to pass to England. If so, 3 o'clock was too late an hour for anything to appear in the press the next day in regard to to-morrow's conference. Could anything be done to accelerate telegraphic communication, or would it be possible to hold the meeting in the morning so as to enable the speech of the president and speeches of the Russians and Germans to appear in the press next morning?

M. BARTHOU stated that the French delegation had found it impossible to obtain direct communication even with the French Prime Minister.

SIGNOR SCHANZER stated that the Italian Government had spent 12 million

lire on telegraphic communications and he had been informed that it was possible to send over each instrument 5,000 words an hour. It would be very inconvenient to change the hour of the meeting next day because all the necessary preparations had been made and all the invitations issued. Everything would be done to expedite telegraphic communications.

M. BARTHOU asked what the programme of the first meeting of the Genoa Conference would be.

SIGNOR SCHANZER then repeated the outline of the programme, which he had previously given, and expressed the hope that all the speeches would be concluded at least in the first two sittings.

M. BARTHOU asked whether it would not be possible to agree at the present meeting as to who should speak.

MR. LLOYD GEORGE said that he had no desire to speak.

SIGNOR FACTA begged Mr. Lloyd George not to refuse to speak.

MR. LLOYD GEORGE said that he was willing to be silent or to speak if necessary. He had understood that M. Barthou and he had the honour of proposing and seconding the president.

M. BARTHOU remarked that if Mr. Lloyd George and he did not speak perhaps Russia would ask permission to speak.

SIGNOR SCHANZER begged Mr. Lloyd George and M. Barthou to speak.

M. BARTHOU said that Mr. Lloyd George had proposed the Genoa Conference at Cannes, and that if he did not wish to speak the other Allied representatives should force him to do so.

MR. LLOYD GEORGE insisted that if he spoke M. Barthou should also speak.

M. BARTHOU said he had so far refused nothing to Mr. Lloyd George.

BARON HAYASHI said that he understood that four commissions would be appointed to-morrow. As the questions with which they would deal were largely European, the Japanese delegation wished to leave it to the other delegates on the commissions to choose a president.

#### *Application by Turkey.*

4. SIGNOR SCHANZER said that he had two further questions to raise. Firstly, Turkey had asked to be admitted to the Genoa Conference and Russia had supported the proposal.<sup>11</sup> The Italian Government had already made a declaration to the Russians as to the reasons why Turkey could not be admitted. These were that Turkey was not a European Power; that in Turkey there were two Governments; and that Turkey was still at war. Still, M. Chicherin had asked that a communication should be made to the Allied Powers. He therefore brought the question up for consideration.

#### *Mr. Child's request for procès-verbaux.*

5. Secondly, Mr. Child, the United States Ambassador, had come to Genoa not as an official observer, but in order to follow the discussions at Genoa, and he had asked to be provided with daily reports both of the plenary sessions and of the commissions.

<sup>11</sup> Cf. No. 33, n. 2.



MR. LLOYD GEORGE said that in view of the lateness of the hour there was no time to discuss either of these two questions, and he proposed that the discussion should be adjourned.

*(The Conference then adjourned.)*

*Hotel Miramare, Genoa, April 11, 1922.*

## APPENDIX TO No. 65

### *Organisation of the Conference.*

It appears desirable, having regard to the programme outlined in the agenda, that the work of the conference should be sub-divided among commissions as follows:—

1. A commission entrusted with the consideration of articles 1, 2 and 3 of the agenda.

All the delegations should be represented on this commission; but in order to enable it to carry out its duties it will be desirable to provide this commission with a sub-commission which might consist of representatives of Belgium, France, Great Britain, Italy, Japan, Germany, Russia, two representatives of the neutral Powers and two representatives of the remaining Powers.

This sub-commission should be reinforced by representatives of other States whenever questions arise in which they are particularly interested.

The work of each commission would be directed by a chairman elected by the commission.

2. The Financial Commission would thus be entrusted with the investigation of the following questions (see item 4 of the agenda):—

- (a) Circulation of currency.
- (b) Central banks and banks of issue.
- (c) Public finance in its relation to the work of reconstruction.
- (d) The exchanges.
- (e) The organisation of public and private credits.

3. The Economic and Commercial Commission would deal with the following questions (see item 5 of the agenda):—

- (a) The facilities and guarantees which should be granted to import and export trade, including customs tariffs.
- (b) The legal and juridical guarantees requisite for the resumption of commercial operations.
- (c) The protection of industrial, literary and artistic property.
- (d) Consular status.
- (e) The admission of foreigners, considered in relation to their commercial activities.
- (f) Technical assistance for the work of industrial reconstruction.

4. The Transport Commission would have to deal with the following questions:—

- (a) Transport by land.
- (b) Maritime transport.

5. The Legal Commission would be entrusted with the consideration of legal questions arising out of the labours of the other commissions.

6. The Drafting Commission would include some of the members of the Legal Commission.

7. The Commission for the Examination of Credentials.

*Draft Minutes of the First Conference of the British Empire Delegation, Genoa, held in the Conference Room, Hotel Miramare, Genoa, on Monday, April 10, 1922, at 11 a.m.*

[C5764/458/62]

**PRESENT:** The Right Hon. Sir Robert Horne, G.C.B., K.C., M.P., Chancellor of the Exchequer (*in the Chair*); The Right Hon. Sir L. Worthington-Evans, Bart., M.P., Secretary of State for War; Sir Philip Lloyd-Greame, K.B.E., M.C., M.P., Director of Overseas Trade; Sir Charles Blair Gordon, C.B.E., Representative of Canada; Professor Edouard Montpetit, K.C., LL.D., Representative of Canada; The Right Hon. Sir Joseph Cook, G.C.M.G., Representative of Australia; Sir Edgar Walton, K.C.M.G., Representative of South Africa.

The following were also present: Sir B. P. Blackett, K.C.B., Controller of Finance, Treasury; Mr. R. G. Hawtrey, Treasury; Sir C. J. B. Hurst, K.C.B., K.C., Foreign Office; Mr. J. D. Gregory, C.M.G., Foreign Office; Sir Sydney Chapman, K.C.B., Permanent Secretary to the Board of Trade; Sir W. H. Clark, K.C.S.I., C.M.G., Comptroller General of Department of Overseas Trade; Mr. H. Fountain, C.B., C.M.G., Board of Trade; Mr. H. J. Hutchinson, Board of Trade; Sir Henry Strakosch, Economic Adviser for South Africa; The Hon. R. H. Brand, Economic Adviser for South Africa; Mr. C. A. B. Campion, Australian Delegation; Mr. Siepmann; Mr. Henry Bell, Chairman of Lloyds Bank; Mr. E. P. Peacock, Director, Bank of England; Mr. B. W. Binder; Mr. E. F. Wise, C.B., Board of Trade; Mr. O. C. Allen, C.B.E., Ministry of Labour; Mr. J. D. F. Fergusson, Treasury; Mr. H. Brittain, Treasury; Mr. Pembroke Wicks, Assistant Secretary, British Empire Delegation.

SIR ROBERT HORNE, after expressing the regret of the Prime Minister that owing to preparations for the plenary session that afternoon<sup>1</sup> he had been unable to attend and welcome the Representatives of the Overseas Dominions as he had desired to do, outlined to the meeting the objects which it was hoped to achieve at the Conference. He explained that it was generally felt that the principal obstacle to the reconstruction of Europe was the difficulty of securing peace in Europe, and, if an agreement could be obtained amongst the Powers that for a period of years no Power would deliberately attack another Power, a condition would have been brought about in which practical remedies for restarting trade would have some chance of success.

Sir Robert Horne then explained that it was proposed after the preliminary session of the full conference to appoint four commissions;<sup>2</sup> the first, for the practical working out of the Cannes conditions, the attainment of peace and the creation of confidence; the second, a financial commission; the third and fourth, for economic and transport questions respectively. Each

<sup>1</sup> See No. 67, below.

<sup>2</sup> See No. 65, Appendix.

Dominion of the British Empire would be entitled to one representative on every commission, and any delegate might be represented by a deputy.<sup>3</sup>

SIR JOSEPH COOK enquired what was going to be done about Russia. Were the Russians to be formally welcomed to the Conference after a pact between Russia and the Conference accepting the Cannes conditions, or was Russia to be invited to take part on the assumption that she would accept all the conditions?

SIR ROBERT HORNE said that Russia had been invited to attend on the conditions laid down at Cannes, which involved her acting in future as a civilised state. In effect, we should insist at the Conference on the acceptance by Russia of the principles underlining the Cannes conditions, and the details might be referred to a committee.<sup>4</sup>

SIR EDGAR WALTON enquired whether there was any means of compelling the Russians to face their position. If Russia were merely to continue to reject proposals made by the other nations, no solution was possible. The Russians should be asked to submit their own proposals.

SIR ROBERT HORNE undertook to mention the suggestion to the Prime Minister.

SIR PHILIP LLOYD-GREAME said that the Russians would be required to accept the principles of the Cannes resolutions and that having been done both sides could put forward their proposals in the various commissions.

SIR JOSEPH COOK asked whether when the questions relating to the smaller kingdoms had been settled the Conference would have finished its work. If so, would we stop on the threshold of peace because the greatest question of the future was disarmament? Great Britain was paying 130 millions a year for defence, and this undoubtedly gave Germany a great handicap in favour [*sic*] of her trade at the moment.

SIR ROBERT HORNE pointed out that the British army and navy were for the

<sup>3</sup> The British Empire Delegation established a Sub-Committee, which held its first meeting at 9.30 p.m. on April 12 under the chairmanship of Sir L. Worthington-Evans. The Notes of this meeting (C5790/458/62) run as follows:

'A re-draft of the economic resolutions contained in the Experts' Report [No. 56, Appendix], prepared by Sir Cecil Hurst, was circulated to the representatives of the Dominions. The only substantial alteration in this draft was the insertion of words limiting the scope of the Customs tariffs and restrictions resolutions to European countries. A general discussion took place upon the draft resolutions and on the question of the line which it would be useful for the Dominions to take on the following day in the election of members to the Sub-Commission of the Economic Commission. It was agreed that the difficulties felt by the Dominions in regard to the Customs clauses were met by the change referred to above.

'The question was raised of the best means of assuring [*sic*] that the point of view of the Dominions should be expressed when necessary at the Sub-Commission meetings, and that any appearance of disagreement between representatives within the Empire should be avoided.

'Sir L. Worthington-Evans pointed out that it would be feasible for representatives of the Dominions, although not being members they could not speak at the Sub-Commission, to attend with the representatives of Great Britain, and stated that the latter would, if occasion arose, represent to the Sub-Commission the position of the Dominions where this may be different from that of Great Britain.'

<sup>4</sup> See No. 65, minute 1.

defence of the Empire in all its wide extent, for example, in Egypt and India, and would have to be maintained quite apart from European complications. The question of disarmament would have been brought up but that France would not have it. France was seriously nervous and apprehensive. On the other hand, the League of Nations had a Commission studying the disarmament question. What could be done at the Conference was to get a pledge from the various nations that they would not attack one another.

The Conference then discussed the various aspects of the proposed pact between the Nations and the sanctions which it would be possible to enforce in the event of one nation attacking another and thus breaking the pact. It was explained that there was no question of going any further than the provisions of the Treaty of Versailles, for referring a disputed question to the League of Nations and reporting violations of the pact to the League of Nations.<sup>5</sup>

IT WAS AGREED that there would in any event be considerable moral effect from an undertaking by the nations to refrain from attacking one another. There could be no doubt that every signatory of such a pact would hesitate for a long time before wantonly breaking an undertaking thus solemnly given.

#### *New Zealand*

It was pointed out that the Representatives of the New Zealand Government could not arrive in England until the first week in May.

IT WAS ACCORDINGLY AGREED that in the meantime New Zealand should be represented by the British Government in the person of Sir William Clark.

*The meeting then adjourned.*

*Hotel Miramare, Genoa, April 11, 1922.*

<sup>5</sup> Cf. No. 3.

### **No. 67**

*Minutes of the First Plenary Session of the Genoa Conference, held at the Palazzo San Giorgio, April 10, 1922, at 3 p.m.*

SIGNOR FACTA (Italy), speaking in Italian: Gentlemen, I assume the temporary presidency of this assembly, and have the honour, on behalf of His Majesty the King of Italy, the Government and the Italian people, to welcome the delegates of the States which Italy, in the name of the Governments represented on the Supreme Council, and of the Belgian Government, has invited to meet here in Genoa, to accomplish together a great work of peace and economic reconstruction, in the interests of Europe and of the whole world. We have given the greatest care to the organisation of this conference, on which your countries and our country are founding their legitimate hopes for overcoming the grave economic difficulties of the present hour. Your work will be followed in Italy with anxious sympathy by our whole nation.

Italian public opinion is fully convinced of the urgent need of re-establishing a new economic equilibrium in Europe. Italy has made very great efforts in the direction of reconstruction since the end of the war; nevertheless, she is convinced that it is impossible to maintain the results already achieved, and still less to advance further along the path of her own economic recovery, unless a full and lasting pacification of Europe is secured, and unless the economic restoration of all the other nations of Europe is secured. The fundamental characteristics of our own national economy make us realise, perhaps more keenly than other nations, the profound value of the principle of the economic unity of Europe and of the world; moreover, at no time, since the war, has it been made so clear that the life of each single nation is dependent on the life of all the others.

Gentlemen, in the name of Genoa, which in history has been associated with some of the greatest efforts accomplished for the organisation of world trade, we hope that the name of the city where the present conference is taking place will be a good augury for the results of our labours. Italy is proud and happy that the conference is held in this country, and has full belief in its success, which will depend more especially upon the goodwill of all the nations here assembled. We hope that the name of this city will go down in history connected with the name of this conference as one of its greatest glories.

I will now read a message which has just been sent to the conference by His Majesty the King of Italy:—

‘On the day on which the International Conference of Genoa begins its labours, I desire to send it a message expressing my thoughts and hopes. I would express my confidence in the final restoration of the spirit of peace among the nations, and also the welcome which Italy extends to all the countries whose representatives meet to-day in this city of Genoa—Genoa, which is illustrious for its glorious traditions, for the industry of its people, and for its great economic energies.

(Signed) VICTOR EMMANUEL.’

I will now read a telegram which has been addressed to me by the President of the Council of Ministers of France, M. Poincaré:—

‘Mr. President and dear colleague,

‘At this time, when under your presidency the International Conference of Genoa is beginning its labours, I wish once more to express to you my regret at the fact that I cannot leave Paris, and have not been able to accept the cordial invitation extended to me by the Italian Government. M. Barthou, who replaces me at the head of the French delegation, will express to you the ardent desire of the Government of the Republic for the success of the heavy task of economic and financial reconstruction which the nations assembled at Genoa have undertaken to bring to a successful issue. The great trials through which France has passed have never made her lose sight of the permanent laws of European solidarity. Just as keen is her legitimate desire not to allow any attack to be made

on the rights which are hers in virtue of the treaties. Equally keen is her wish to collaborate with all her strength and with all her heart for the restoration of distressed peoples. Not only will she very willingly collaborate in any measures which may be taken to this end, but the French delegation itself will submit to the conference, in all the more important problems which come before it, proposals for practical solutions such as will favour the economic revival of Europe and restore general prosperity. Like the Italian Government, the Government of the Republic ardently hopes that the Genoa Conference, by helping to dissipate the feeling of distress which weighs upon the whole world, will succeed in making peace more prosperous, and in preparing a happier future for the human family.

Believe me, &c.,

(Signed) RAYMOND POINCARÉ.'

I now invite the assembly to elect its president.

MR. LLOYD GEORGE (*British Empire*), speaking in English: Perhaps I may be permitted, before I submit to the assembly the name of a president whom I invite them to elect, to thank the Italian Prime Minister for the greeting which he has extended to us. It is a matter of great pride to us to meet here under the auspices of the great people to whom European civilisation owes so much throughout the ages. They have been amongst the pioneers of civilisation in this continent. It is therefore appropriate that they should take a leading part in saving that civilisation from being destroyed. It is also a pleasure to meet in this illustrious city which, from early days, has taken such a part in the organisation of international trade and commerce, and in the promotion of the peaceable interchange of the products of all the peoples of the world. I believe that in this very building was witnessed amongst [*sic*] the first efforts at banking throughout the world. Having said so much, it is now my privilege to propose for election to the presidency of this great conference, upon which so much of the hope of the world depends, the name of Signor Facta, the Prime Minister of Italy; not merely from the fact that he represents this great people, but for his own accomplishments, there is no better name to be submitted, and it is therefore with great pleasure that I submit the name of Signor Facta as the president of the conference.

M. BARTHOU (*France*), speaking in French: On behalf of the French delegation I associate myself with the words of Mr. Lloyd George, and with the proposal which he has just made in the name of the British delegation. The election of Signor Facta to the definitive presidency of this great meeting will have a double meaning. On the one hand, it will be a testimony to the gratitude which we owe and which we render to the Italian Government, which has taken the initiative and has assumed the responsibility for this conference. On the other hand, it will be an act of homage to that great country Italy, the country of that justice which it is necessary that all of us here present should be willing to serve.

SIGNOR FACTA (*Italy*), speaking in Italian: Mr. Lloyd George has been kind enough to propose my name, and M. Barthou has had the goodness to second

the proposal. I am very much touched by the honour which you have done me—an honour which is due more to my country than to me personally. Mr. Lloyd George and M. Barthou have made use of such gracious words towards my beloved country, Italy, that I shall be happier than ever to accept the task which you have been good enough to entrust to me. I feel that we are met here to begin that work of general reconstruction which the sentiments of justice of the world recognise as being essential.

Signor Facta then took the chair.

THE PRESIDENT, speaking in Italian: I am deeply grateful to you for calling on me to preside over the labours of this conference, which I hope will be ever memorable, not only as the first great meeting of the peoples of Europe, but above all as the highest expression of the spirit of solidarity with which all the nations of Europe should be imbued.

I am fully sensible of the responsibility of my position; but I derive confidence from my conviction that a sincere spirit of goodwill and co-operation will animate our labours and thus facilitate my task. To attain our object, we must act in a spirit of mutual understanding and sincere co-operation, and strive to make the most of the resources and experience of all the nations which are here gathered together.

Moral and economic consequences of a more or less grave character must necessarily result from every war, but Europe has never experienced a state of such psychological disturbance and economic depression and disorganisation as that which has followed upon the recent war, and which still in some measure persists. The wars of the past have, indeed, for the most part, been limited to two, or at most to a small number of nations, whilst the great war in which we have recently been engaged involved a greater number of nations than any previous conflict, and affected three continents.

The effects and repercussions, psychological, political, social and economic, of this unprecedented historic phenomenon have been of a similarly grave and universal character. The world before the war appeared as a single, great, economic system within whose orbit pulsed a regular life of traffic and exchange, even between countries far distant from one another, and the normal monetary conditions gave a secure basis to industry and commerce, and permitted the working of a marvellous mechanism of credit.

To-day, although some years have passed since the conclusion of peace, we are still far from the return to normal economic life, and many European nations are still in a state of economic disorder, and even anarchy; while the paralysis of productive activity, the serious obstacles in the way of the further development of trade, the enormous differences and the rapid changes in value of the currencies in the various countries are so many causes of profound unrest and of discouragement to individual and collective initiative.

Great suffering and misery still exist in not a few countries, and certain of the populations of Europe are afflicted with disease, privation and hunger. There are about 300,000,000 men in the world who are not producing, or not producing sufficiently, for want of the means of labour and transport. These 300,000,000 men are not working and not producing in sufficient

measure for a fundamental reason, lack of confidence. This lack of confidence is one of the most disastrous legacies which the war has left behind. Without confidence capital does not pass, under economically possible conditions, from the great financial centres to those countries in which it is most needed. Confidence must be re-established if the normal working of the economic machine is to be restored. Economic organisations must be brought into harmony with the new territorial distribution resulting from the war.

We cannot, therefore, gentlemen, regard with selfish indifference or apathy the profound crisis through which Europe is passing. It is time to proceed with the work of preparation without further delay—not merely to ascertain the extent of the trouble, but to take immediate steps to remedy it. This is a responsibility which no nation can avoid; even those nations which at present suffer less severely than the others may to-morrow have to pay the penalty of their indifference when the evils which now afflict their neighbours afflict them in their turn.

We are, therefore, called upon to carry out a great task of international co-operation; we are faced with an ethical and political duty, in which lies our only way of salvation, and of return to a more prosperous and a happier common life. And it is this spirit of co-operation and fraternity between peoples which is the guiding principle of the present conference.

In this place the memories of the hatreds and resentments of the war must be forgotten; here there are no longer friends and enemies, victors and vanquished, but only men and nations striving in common for the attainment of a lofty ideal.

We rejoice that this great assembly of peoples, inspired by such a noble purpose, should be held in Italy—Italy, who, though not unmindful of her glorious past and her recent victories, is, nevertheless, by the character of her people, the age-long traditions of her civilisation, and the teaching of her writers and thinkers, especially fitted to welcome and defend ideals of peace, solidarity among nations, and universal justice.

It is a vast and difficult task that lies before us, but we will approach it calmly, and with a firm resolve to attain our goal.

The agenda of the conference<sup>1</sup> includes political, economic and financial questions, but it is obvious that these questions are closely connected with each other. Economics and finance are indeed essential factors, and tend to play an increasingly important part in international politics.

The goal towards which we must strive is the restoration of such conditions in Europe as will enable the peoples to live peacefully side by side, and to co-ordinate the various economic systems which have been so seriously affected by the war. From an economic point of view, in particular, Europe to-day appears to form a series of distinct and separate groups divided from one another by barriers which are a source of national isolation and mutual mistrust. There are countries in Central and Eastern Europe which, unfortunately for themselves and for us, are now quite outside the general economic system of Europe: I refer in particular to Russia, which has always

<sup>1</sup> No. 21, Appendix 3.



exercised, and must in the future always exercise, a most important influence upon the economic life of this continent. We must endeavour to find a way of bringing this abnormal state of affairs to an end without delay.

But this is not our only task. The agenda raises a series of economic and financial problems which directly, and to a greater or lesser degree, affect all European countries. These questions should cause us all to examine our consciences, and to reconsider our military, financial, economic, transport and commercial policies.

Since the termination of the war, the general policy of Italy has consistently followed the path of peace and international collaboration. This is a clear indication of the attitude which she intends to adopt at the present conference.

Italy will support with the full force of her convictions the resolutions which appear best calculated to secure a durable peace, the stability of international relations and the establishment of a new era in international affairs—an era in which disputes will be settled, not by violence, but by free discussion and collaboration, based on mutual tolerance and on the conciliation of opposing interests. The world has already seen the cloud in the Pacific disappear as the result of the recent conference at Washington. Here in Genoa we must work for the peace of Europe with the same spirit of sincerity and goodwill which inspired the labours of the American Conference.

In the economic field, Italy will unhesitatingly support all proposals designed to promote closer relations between the peoples, and to restore normal trade communications; she will aid in the removal of those impediments to the development of commerce which have been created since the termination of the war owing to policies of prohibition and protection, and which prevent Europe from developing rationally her economic resources, and from attaining a state of greater prosperity and well-being. In regard to the more purely financial part of the agenda, Italy is willing to examine, in conjunction with the other States assembled here, any proposals which will tend to improve the state of public finance in general, to reduce the issue of paper currency, to stabilise the exchanges, and to make it possible for the stronger States to collaborate with the weaker, in short, to facilitate by every possible means the work of European reconstruction.

In my opinion, one great principle should, above all, dominate our discussions and deliberations, namely, the principle that the salvation of the community of nations can only be achieved by establishing a just accord between the independence, autonomy and sovereignty of the individual States on the one hand, and the respect which individual States must show, on the other hand, in their reciprocal relations, for the rights of other States and of their citizens. Without this condition, no peaceful, no profitable international relations are possible; without this condition, it would be vain to indulge the hope of European reconstruction and of the resumption of normal commerce throughout the world.

It is, therefore, under the ægis of the principles of equity, justice and solidarity between peoples that we have met for this conference, to which the

Sovereign Pontiff, in the fulfilment of his holy office of charity and peace, has just addressed a solemn message characterised by its impartial feeling for all nations, and its felicitous expression of hope for the establishment of harmony among them.

I have complete confidence in the wisdom and sense of proportion of all those assembled here, and fervently hope that the conference may offer to the world a series of calm and lofty discussions; that we shall all manifest our capacity for moderating the passions of our own convictions and tolerating the opinions of others, and that we may thus reach those practical conclusions and happy results on which, in a great measure, depend the future, the peace and the prosperity of Europe.

I will now call upon the speakers who have given in their names to speak on this occasion, but before doing so I wish to make the following statement:

This conference has been summoned on the basis of the resolutions of the Cannes Conference. These resolutions were notified to all the Powers who were invited to attend. The mere fact that the invitation has been accepted is evidence that those who have accepted the invitation have therefore also accepted the principles contained in the Cannes resolutions.

I will now call upon the speakers who have given in their names.

I call upon the chief delegate of the British Empire to speak.

MR. LLOYD GEORGE (*British Empire*), speaking in English: I am glad to take this opportunity of associating the British Empire delegation at the outset of our proceedings with the clear and eloquent statement of the aims and principles of the conference which has fallen from the lips of the Italian Prime Minister.

This is the greatest gathering of European nations which has ever assembled in this continent, and, having regard to the magnitude of the assembly, the character of its representation and the importance of the topics we are here to discuss, the results of the conference will be far-reaching in their effects, either for better or for worse, upon the destiny not merely of Europe, but of the whole world.

We meet on equal terms, provided we accept equal conditions. We are not here as allied and enemy States. We are not here as belligerents and neutrals. We have not come together as monarchists or republicans or sovietists. We are assembled as the representatives of all the nations and peoples of Europe to seek out in common the best methods for restoring the shattered prosperity of this continent, so that we may build up, each in his own land, each in his own way, a better condition of things for our people than the world has yet enjoyed. But if we meet on terms of equality, it must be because we accept equal conditions. These conditions the inviting Powers laid down at Cannes. They apply to all alike. They are the conditions which have hitherto been accepted by all civilised communities as the basis of international good faith. They are in themselves honourable; they are essential to any intercourse between nations. They do not derogate from the complete sovereignty of States. We fully accept them ourselves. They are the only

conditions upon which we can consent to deal with others. I will summarise them in two or three sentences. The first is that, when a country enters into contractual obligations with another country, or its nationals, for value received, that contract cannot be repudiated whenever a country changes its Government without returning the value. The second is that no country can wage war on the institutions of another. The third is that one nation shall not engage in aggressive operations against the territory of another. The fourth is that the nationals of one country shall be entitled to impartial justice in the courts of another. If any people object to these elementary conditions of civilised intercourse between nations, they cannot expect to be received into the comity of nations. These conditions were laid down at Cannes. They were incorporated in the invitation to this conference. They are the fundamental basis of its proceedings, and all those who accepted the invitation must be presumed to have accepted the conditions, and I have every reason to believe that this is the view which every nation represented at this assembly is prepared to adhere to in the letter and in the spirit.

Mr. President, you have set out in forceful language the object of this great conference.

Europe undoubtedly needs a common effort to restore the devastation wrought by the most destructive war ever waged in this world. That war came to an end over three years ago. Europe, exhausted with its fury, with the loss of blood and treasure which it involved, is staggering under the colossal burdens of debt and reparation which it entailed. The pulse of commerce is beating feebly and wildly. In some lands an artificial activity is stimulated either by demands for repairing the ravages of war or by burning up the resources of the world accumulated by generations of thrift by the frugal and industrious among the people. But legitimate trade, commerce and industry are everywhere disorganised and depressed. There is unemployment in the West; there is famine and pestilence in the East.

Peoples of all races, of all classes, are suffering, some more and some less, but all are suffering, and unless some common effort of all the nations of Europe is made, and made immediately, to restore European efficiency, I can see symptoms not merely that the suffering will continue, but that it may even deepen into despair.

What is the first need of Europe? Peace, a real peace. We propose to study currency. Good! We propose to examine the question of exchanges. That is also good. We propose to discuss transport and credit. That is all good. But unless peace is established and good-will amongst the nations, all these discussions will be of no avail. On the other hand, if a real peace is the issue of this conference, all those things will be added unto you. But is there no peace in Europe? It is true that actual fighting has ceased, but the snarling goes on, and, as there are many dogs in every country who imagine that the louder they bark and the longer they bark the deeper the impression they make of their ferocity and determination, Europe is deafened with this canine clamour. It is undignified. It is distracting. It destroys confidence. It rattles the nerves of a nerve-ruined continent, and we shall only make

a real contribution to the restoration of Europe if at this conference we can stop the snarling.

Europe needs rest, quiet, tranquillity. That is, it needs peace. If we act together, in the same spirit, we shall succeed. Not in the spirit of a greedy vigilance over selfish interests, but with a common desire to do the best to restore the world to its normal condition of health and vigour. We shall do so if we measure the success of the conference by the good we achieve, and not by the good we prevent. We must not roll boulders in front of the plough. Let us think more of what we can accomplish than of what we can restrict.

We have all of us one common restriction in the public opinion of our own countries. The public opinion of one country is concentrated, perhaps, more upon one aspect of affairs, and the public opinion of another upon a different object. That undoubtedly creates difficulties. It is not easy to reconcile these divergent opinions even when they are not conflicting. But public opinion is not a rigid fact like the Alps or the Appenines. It is amenable to guidance, to direction and to the appeal of reason and of conscience, and I feel confident that in every land it will yield a good deal to an appeal made to its mind and heart by the common statesmanship of Europe. It can be taught that the good of another country is not necessarily an evil for its own; on the contrary, that what benefits all lands must necessarily be the best for its own.

The world is one economic unit. Economically, it is not even two hemispheres, it is one round, unbroken sphere. For that reason I regret that the great American Republic is not represented here. However, much that has happened, and is happening, in Europe makes them cautious of interfering in our affairs. But if we can set these things right at this conference, I feel sure that America will not merely come in, but come in gladly.

A distinguished citizen of this city once upon a time discovered America, and, as Genoa in the past discovered America to Europe, I am hopeful that Genoa once more will render another immortal service to humanity by re-discovering Europe to America.

There are thirty-four nations represented at this table, and the interest taken in the conference by the world is by no means exhausted by that representation. The press of practically the whole world is represented here. They would not be here if the great public which, according to their genius, they either fortify and instruct, or alarm and chasten, were not deeply concerned in our proceedings and anxious as to the results. The world will follow our deliberations with alternate hopes and fears. If we fail, there will be a sense of despair which will sweep over the whole world. If we succeed, a ray of confidence will illumine the gloom which is resting on the spirit of mankind.

Europe is the cradle of a great civilisation which during the last 500 years has spread across the globe. That civilisation has been menaced with destruction by the horrors of the last few years; but if we do our duty manfully and fearlessly we shall prove that this conference, meeting as it does in the Sacred

Week of that civilisation, is capable of achieving its exalted purpose by establishing on a firm basis peace and good-will amongst men.

THE PRESIDENT, speaking in Italian: I call upon the chief delegate of France to speak.

M. BARTHOU (*France*), speaking in French: Gentlemen, I bring to this conference, the result of which may be a new orientation of the world, the considered opinion and the loyal co-operation of France. When Mr. Lloyd George at Cannes took the first steps in this noble work, France's adherence followed immediately, and if she has since asked for delay,<sup>2</sup> which has been usefully employed, her only anxiety was to attain by a more complete preparation the results in which she placed her confidence and her hope. The world is tired of vain words, solemn speeches and barren declarations. It is suffering in its health, security and stability, and some methodical and effective action is required to give it back the balance which it needs. We have come here for action. We are not mere observers. We are fellow-workers ready to take our part in the work and in the responsibilities common to us all. True, we are not blind to the difficulties, obstacles and slowness of our task; but pessimists are powerless, and faith alone, by which I mean active faith, will save the world.

Europe is covered with ruins. It would be madness to suppose that a magic wand could rebuild on these shattered ruins the enchanted castle of our dreams. It would be still worse, more disastrous and more destructive, to sit with our arms folded by the wayside and do nothing, because there is too much to do. By her own efforts France has shown that she understands the necessity and that she knows the price of action. She is not inspired by any national egotism and she claims no hegemony. War has cost her too much for her not to have a horror of war. She is wholly, resolutely for peace, and she, at any rate, will not go out of her way criminally to disturb the peace of the world. Her rights, which she has paid for at a terrible price, are not an obstacle to the work we have come here from all corners of Europe to undertake. The Cannes programme has put them, as well as the rights of her allies, beyond discussion. Thus, the Genoa Conference is not, cannot and will not be a court of appeal before which existing treaties are brought up, judged and revised.

On all financial and economic questions, however, the solution of which closely concerns the restoration of tortured Europe, discussion is perfectly free to everybody. France will not adopt a negative attitude. Her experts have accomplished a considerable work, and there is not a problem which has escaped their investigations and reflections. We shall not only indicate what appears to us to be unacceptable. We shall say what we consider just, necessary or possible. The complexity of the questions involved forbids the simplicity of a formula, and the sickness of Europe will not be cured by a panacea. Europe, one might say the world, is an economic unit, all the peoples of which have been affected and paralysed by the war, even those which have not taken part in it. It depends upon each one of these peoples,

<sup>2</sup> See No. 34.

whatever their political form of government, and provided they respect the general rights without which there is no civilisation, to help towards the success and the recovery of all. The French delegation will never speak a word of hate. They desire no one's humiliation, and will act in the full light of day, having nothing to conceal either as regards their opinions or their plans. They are inspired by good faith, good-will and, may I repeat, by confidence, without which it would be useless, and perhaps perilous, to set to work. Peace and work are the programme of France.

THE PRESIDENT, speaking in Italian: I call upon the Japanese delegate to speak.

VISCOUNT ISHII (*Japan*), speaking in French: Gentlemen, the conference which brings us together to-day arouses the greatest hopes throughout the world. Exhausted by the war, tired and irritated by the evils which it has caused, the peoples of all nations, belligerent and neutral, have their eyes fixed upon our deliberations. They hope that the result of our labours will be to put an end to the general state of discord, to close an era of recrimination, of mistrust and of suspicion, and to inaugurate an era of harmony, of confidence and of co-operation among the nations. To attain this end it is indispensable to re-establish normal relations in the sphere of economics, commerce and finance, to remove the barriers which hinder the free interchange of goods and services, and, finally, to realise that international solidarity which alone can lead to the return of general prosperity.

Although the geographical situation of Japan renders her less directly sensible to the troubles of Europe, she has suffered, and still has to endure, a serious economic crisis. She has suffered from the closing of the Russian market, from the uncertainty of economic relations and from the instability of the exchanges. Our country, which is animated by a sincere spirit of friendship and international co-operation, wishes to live at peace with all peoples, particularly with her neighbours. Her policy is inspired solely by economic motives, by the desire to contribute to the development of the natural resources of the earth for the benefit of all, and by a legitimate desire to protect the rights of her subjects. The interests of Japan are therefore in perfect harmony with those of other nations, and it is with the confident hope of co-operation and active collaboration that the Japanese delegation are prepared to take part in the work of this conference, the importance of which is inestimable and the results of which, I hope, will be of the greatest benefit for the future development of the world.

THE PRESIDENT, speaking in Italian: I call upon the chief delegate of Belgium to speak.

M. THEUNIS (*Belgium*), speaking in French: Gentlemen, after the eloquent speeches you have just heard, will you permit the Belgian delegation to say a few words more to express in their turn their very great thanks to the Italian Government for the cordial and hospitable reception which has been accorded to them in this illustrious city? I desire equally to affirm the sincerity of the good wishes we are expressing for the success of the conference. Belgium is a nation jealous of its independence, but above all peaceful.

She has suffered cruelly from the war, and her active and energetic population only demands to be allowed to work in peace. Freedom of work and of international trade is all the more necessary to Belgium, as the density of her population and her geographical situation have made her one of the most active nerve centres of Europe from the industrial and commercial point of view. I will only remind you that before the war Belgium occupied the fifth position among the nations of the world from the point of view of special trade.

This will tell you how greatly we desire that remedies may be found to put an end to the period of economic depression from which we are all suffering. The Italian Government has been kind enough to allow the great International Assize which is opening to-day to be held in its country. It has chosen as the seat of the conference this important commercial metropolis. The secular activity of the city of Genoa and its marvellous development are the best examples of the prosperity which the development of international economic relations can bring to a nation.

THE PRESIDENT, speaking in Italian: I call upon the chief delegate of Germany to speak.

M. WIRTH<sup>3</sup> (*Germany*), speaking in German: Gentlemen, in the name of the German Government I should like to express our heartfelt thanks to the Italian Government for the friendly reception accorded to the German delegation in the famous and ancient city of Genoa. I should also like to thank the municipal authorities for making all arrangements to accommodate such a large number of guests within their walls, and for giving the necessary facilities for the important task which they have to accomplish. In all ages, sick persons from all parts of the world have found relief from their pain and a cure for their ills on this blessed coast of the Ligurian Sea, on which the sun shines more kindly than on any other part of Europe.

We, too, have come here to seek a cure for another kind of ill, which affects not individuals, but whole peoples and the entire world. For no one can doubt that to-day the whole world is economically sick, and that it is in danger of an infection which would be far more dangerous for the future of mankind than those epidemics with which mankind is scourged from time to time.

It is consoling to remember that the convocation of the Genoa Conference is a sign of the growing recognition of the fact that existing economic and financial disorder has made collaboration and prophylactic co-operation on the part of all peoples an urgent necessity.

We may say that now, at a moment when the need has become most urgent, the general recognition of this fact has led to the decision to call the nations together to act as physicians for their own ills and for those of the community. It is desirable, in view of its important objects and of its urgent necessity, that the conference should assemble deeply convinced of the fact that only technical co-operation and serious determination can carry the matter through successfully.

<sup>3</sup> Dr. Wirth, Chancellor of the German Reich.

If we look at the condition of the world, the need of the peoples, the famine-stricken and the unemployed, we see how gigantic is the problem which we have to solve.

If I may express this problem by a formula, I should like to lay down that all of us who are here assembled must make up our minds to recognise economic problems as such, as strictly economic problems, and to separate them from the political aims and differences which can only obscure our judgment as to the real nature of our troubles.

I would draw yet one more conclusion from this economic formula.

All peoples of the earth, from an economic point of view, form one huge inseparably connected unity. It is true that the great and the small are not of the same economic importance, but the smallest link in the great chain of world economics cannot be destroyed without the chain being broken. From this I deduce the principle which should inspire our deliberations, the principle—just laid down by an eloquent speaker—of the equal rights of all peoples in our common labours.

These, Gentlemen, were the considerations which inspired the German Government when it decided to accept the invitation to this conference and to postpone its serious internal preoccupations. Those who are acquainted with the condition of the German people and with the internal position of the German Government are aware that our domestic affairs require the most incessant care and watchful attention. The German Government is obliged almost every day to take serious decisions on which the future of our whole nation depends. The body of our people is undergoing social and economic transformations, which might easily lead to social ruin, and this state of affairs makes it difficult for a Government to leave the country for any length of time, and to be responsible for internal affairs while it is abroad. I say quite frankly that the German Government has taken upon itself a very serious responsibility in transferring the centre of gravity of its political activities, perhaps for weeks, in the present condition of our country and our people.

The responsibility would, however, have been yet more serious had we remained away from the conference, and had we not shared in the united attempt to solve the problem of Europe. We must postpone our internal problems when it is our duty to collaborate to the best of our power, at so important a moment, with a view to the common good of mankind.

Accordingly, I declare that the German Government is ready to collaborate, in the fullest sense of the word, in the tasks which are submitted to the conference, in the hope that the other Powers assembled here will collaborate with it in the same spirit.

I must, however, add one word in regard to the nature of this spirit; it must be characterised by a willingness to avoid the mistrust which has darkened the world's atmosphere for so many years; and it must be marked by the readiness of all to make sacrifices, when it is necessary, for the good of the whole world, and to look beyond their own particular interests.

In the discussions of this conference, the economic and financial experts



must play a predominant part. Europe has gone back to the disastrous ideas of an earlier economic era, when it was regarded as the height of wisdom to believe that the economic prosperity of one's own country was assured if the condition of neighbouring countries was becoming worse, and that it was one's duty to one's own country to work for that object. This view has long since been made obsolete by an understanding of world-economics, and it has been recognised that the prosperity of one's own country is an advantage to all other countries, and that the general well-being of the world is the best guarantee of peace. European countries must therefore courageously and firmly resolve to turn back from this retrograde course, and to follow once more the path of unrestricted trade, and of commerce unfettered by any shackles.

I recognise that the work which we have to accomplish at Genoa has attracted the attention of the whole world; in all quarters people are waiting to see whether some message of healing will be sent forth into the world from Genoa. The failure of this conference would involve a bitter disappointment for the peoples who are watching and hoping; it would intensify the existing economic crisis and render it intolerable; it would be a deathblow to all efforts to make provision for the future—a provision which is so necessary if we are to reconstruct the world.

It is in this spirit that we shall examine all proposals which are submitted to us by those taking part in the conference; that we shall consider them, not only from the standpoint of our own interests, but also with a view to discovering whether they will conduce towards the desired aim of all peoples. Moreover, we shall not be content to act merely as listeners and questioners, but we will ourselves put forward such proposals as appear calculated in our view to smooth the path of all nations towards a happier future.

The road which we have to travel is not free from obstacles. When all or many nations confer together about their common interests, there is always the risk of injuring the susceptibilities of individual countries. In this respect there are certain limits to our labours. I would therefore point out that the assistance which can and must be afforded to the various branches of commerce must only be afforded under such conditions as will avoid any injury to the right of every nation to determine its own political and economic system.

If in this assembly of the representatives of many nations I have addressed the meeting, I believe I am justified in doing so by the special position of my country. In consequence of its geographical position in the middle of Europe, of its close relation with the world's economic system, including that of oversea[s], Germany may be said to be among those nations which have been the most seriously affected by the distress of our epoch. The problem of German economics is, as all the world recognises to-day, inseparably connected with the difficulties from which the other nations are suffering. The German need is on the one side, the need of the other nations is on the other side of the world's circle.

The negotiations which we have to carry on here will be connected with

the most various departments of economic life, with transport, commerce, finance, and generally speaking, with all questions in which peoples connected by a common civilisation are interested. The magnitude of this task should thus, if I may in conclusion give expression to the wish of the German Government, act upon us as a stimulus to conduct the business of the conference on all sides in that spirit of optimism which should animate every great enterprise. I am certain that in these words I do not give expression merely to an individual feeling, but to the common conviction of all nations here represented.

THE PRESIDENT, speaking in Italian: I call upon the chief delegate of Russia to speak.

M. CHICHERIN (*Russia*), speaking in French: Gentlemen, the Russian delegation, representing the Government which has always sustained the cause of peace, receive with a particular satisfaction the declarations of the preceding speakers proclaiming the primordial necessity of peace. They specially associate themselves with the declaration of the Italian Prime Minister when he says that there is here neither conqueror nor conquered, and with that of the Prime Minister of Great Britain, assuring us that we are all here on a footing of equality.

The Russian delegation desire to declare before everything else that they have come here in the interests of peace and the general reconstruction of the economic life of Europe ruined by prolonged war and by the after-war policy.

Whilst themselves preserving the point of view of communist principles, the Russian delegation recognise that in the actual period of history which permits of the parallel existence of the ancient social order and of the new order now being born, economic collaboration between the States representing the two systems of property is imperatively necessary for the general economic reconstruction.

The Russian Government in consequence attributes great importance to the first point of the Cannes resolutions, which deals with reciprocal recognition of different systems of property and different political and economic forms actually existing in the different countries. The Russian delegation have come here not with the intention of making propaganda for their own theoretical views, but in order to engage in practical relations with the Governments. The industrial and commercial interests of all countries on the basis of reciprocity, equality and universal economic reconstruction is, in present conditions, so immense and colossal that it can only be solved if all countries, both European and non-European, have the sincere desire to co-ordinate their efforts, and are convinced of the necessity of consenting to temporary sacrifices. The economic reconstruction of Russia, the largest State in Europe, with its incalculable natural riches, appears as an indispensable condition of universal economic reconstruction. Russia, on her side, declares herself fully disposed to contribute to the solution of the problem placed before the conference by all the means in her power, and these means are not insignificant. In view of the economic need of the world, and of the development of

universal political forces, the Russian Government is ready to open its frontier consciously and voluntarily for the creation of international traffic routes. It is ready to deliver to cultivation millions of acres of the most fertile land in the world. It is ready to grant forest concessions, mining concessions for coal and minerals of an infinite richness, particularly in Siberia, and concessions of all kinds throughout the territory of the Federated Socialist Soviet Republic of Russia. It proposes between the industry of the West on the one hand and the agriculture and industry of Siberia on the other, collaboration of such a nature as to enlarge the basis of Europe an industry so far as concerns raw materials, grain and fuel, in proportions far surpassing the pre-war level. A detailed draft of a plan of general economic reconstruction can, if necessary, be presented by the Russian delegation in the course of the conference. The perfect possibility of its present realisation from the financial and economic point of view results from the fact that the whole of the capital which every year ought to be invested in this work, in order to guarantee the future of European production, would only constitute a small fraction of the annual expenses of the countries of Europe and of America in respect of their armies and their fleets. In making these proposals the Russian delegation come back to the ideas of the Cannes resolution, which they adopt in principle, while reserving the right to present on their own part supplementary articles and amendments to the existing articles. However, the work of the economic reconstruction of Russia will be rendered absolutely vain (and with it the work of putting an end to European economic chaos), and will be directed on a false and fatal course, if the nations which are economically more powerful, instead of creating the necessary conditions for the economic rebirth of Russia and of facilitating her progress in the future, crush her under the weight of demands which are beyond her strength—the survival of a past which to her is odious.

We must also remark that the recent measures of the Russian Government in the domain of internal legislation, measures conforming to the new policy of Russia in economic matters, have anticipated the desiderata contained in the Cannes resolutions, so far as concerns the legal guarantees necessary for economic collaboration between Soviet Russia and States based upon private property.<sup>4</sup> However, all efforts towards the reconstruction of the economic position of the world are vain, so long as there remains suspended over Europe and the world the menace of new wars, perhaps still more devastating than those of the past years. In this respect also Russia is disposed to contribute to the consolidation of peace to the extent which is possible and within the limits of the social and economic order existing in the majority of countries. The delegation intend to propose in the course of the conference the general limitation of armaments, and to support all proposals tending to lighten the weight of militarism, on condition that this limitation is applied to the armies of all countries, and that the rules of war are completed by the absolute prohibition of its most barbarous forms, such as asphyxiating gas and aerial

<sup>4</sup> See Nos. 46 and 58.

warfare, as well as the use of means of terrorising peaceful populations. It follows that Russia is equally ready herself to realise the limitation of armaments, on condition of a full and complete reciprocity, and on condition that she is furnished with the necessary guarantees against any sort of attack upon or interference with her internal affairs. We greet with satisfaction this first European conference, and especially the proposal of the British Prime Minister that similar conferences shall take place periodically in future,<sup>5</sup> but the Russian delegation desire to emphasise the importance of enlarging these conferences, and securing the participation in them of all the peoples of the world. In our view, the establishment of universal peace should be accomplished by a universal congress, the basis of which would be the equality of all peoples and the recognition of the right of each of them to determine its own destiny. We also feel that the method of representation at these conferences needs to be modified. We regard it as absolutely indispensable that the workers' organisations should be officially represented at these congresses. The decisions of these conferences must in no case be applied by force or by the exercise of pressure on minorities, but, on the contrary, by the freewill of all taking part in them.

The Russian Government is even willing to adopt as its point of departure the old agreements with the Powers which regulate international relations, subject to some necessary modifications, and to take part in the revision of the constitution of the League of Nations so as to transform it into a real league of peoples without any domination of some nations by others, and without the existing division between victors and vanquished. The universal congress of which I speak would have to appoint technical commissions to outline and elaborate a programme for the economic reconstruction of the world. This programme cannot possibly be enforced by violence; it must be such as to appeal to all those taking part in it. International railway, river and maritime routes must be mapped out, and the internationalisation of these routes must be attained by progressive stages. Technical international commissions would be able to lend their assistance to the different countries for the regulation of international rivers, for the utilisation of international ports, and for the technical improvement of the great world routes. The infinite wealth of Central Siberia would in this way be thrown open for the use of the whole world, and would produce among other benefits an increase in the prosperity of all peoples, if the peoples are all sincere in their desire for economic co-operation. If they seek in this way, by a common effort, to bring the world economic crisis to an end, if they are willing to make sacrifices, it will not prove difficult to find means of stabilising the exchanges.

One of these means might be the redistribution of the existing gold reserves among all the countries, in the same proportion as before the war, but by means of long-term loans, without prejudice to the interests of the countries which are at present in possession of this gold. This redistribution should be combined with a rational redistribution of the products of industry and com-

<sup>5</sup> The reference is presumably to Mr. Lloyd George's speech in the House of Commons on April 3, 1922. See 152 *H.C. Deb.* 5s, cols. 1885-1903, particularly cols. 1891-2.

mercial activity, and with a distribution of fuel (naphtha, coal, &c.) according to a settled plan.

I have merely outlined the basic principles of the proposals which the Russian delegation might put forward if they are granted an opportunity. I desire to repeat once more that, as Communists, we do not entertain any special illusion as to the responsibility for the existing state of affairs; but we are nevertheless ready to contribute, in the interests of Russia and of all Europe, in the interests of tens of millions of men who are suffering beyond the limits of human endurance owing to the present economic chaos—we are willing to contribute our aid to every effort calculated to afford if only palliatives to the economic situation of the world, and to remove the threat of a second war. We are prepared to support all proposals of a progressive nature brought forward, with this object, by other countries.

The Russian delegation beg once again to salute the European Conference of Genoa, to express their cordial thanks to the Italian Government for its hospitality, and finally to proclaim their intention of contributing by all the means at their disposal to the success of our labours.

THE PRESIDENT, speaking in Italian: Does anyone else wish to speak?

M. BARTHOU (*France*), speaking in French: Gentlemen, the speech which you have just heard from the first delegate of Russia obliges me to make a short but very definite statement. I do not wish to enter now upon a premature discussion, still less do I wish to give rise to an incident, but I draw your attention to the fact that the worst possible attitude would be one which resulted in a misunderstanding. I will endeavour to remove this misunderstanding.

A few minutes ago the honourable president of the conference, Signor Facta, made a declaration which you have all heard. The declaration was to this effect:—

This conference has been summoned on the basis of the resolutions of the Cannes Conference. These resolutions were notified to all the Powers who were invited to attend. The mere fact that the invitation has been accepted is evidence that those who have accepted the invitation have therefore also accepted the principles contained in the Cannes resolutions.

The French delegation do not wish to question the right of the Russian delegation (nor would they do it for any other delegation either) of examining and discussing one by one all the questions included on the agenda, and they enjoy the perfect right to express their sentiments and to suggest their own solutions. That is the indisputable right of every delegation. To give an instance, if the Russian delegation announce their intention of moving a resolution, either on a financial question or on a commercial subject, or on the problem of transport, it is quite obvious that they would be allowed to use their rights to the full extent. That is the vital principle of this meeting. But the Russian delegate has introduced into his speech another element. He affirms his deliberate intention to introduce, in the course of the discussions, subjects about which the Cannes Conference remains silent, or which it has deliberately and voluntarily put aside. Amongst these questions which

were rejected was the question of a so-called universal conference, which was in fact mentioned and on which we were given certain information in advance. There is absolutely nothing in the Cannes resolutions which can be considered as heralding, or still less as preparing the ground for, a conference of this kind. On the other hand, the Honourable M. Chicherin said that it was understood that the Genoa Conference would only serve as a starting point for other conferences, and that it would constitute a kind of precedent binding the Powers here represented. Now, nothing of the kind was mentioned in the programme of the Cannes Conference, and if Cannes had had as its object the institution of a permanent conference of the kind, the French delegation would have opposed the idea. I may now, on behalf of the French delegation, and I must in the name of France, raise a definite protest against these two questions being raised here, as not being mentioned in the Cannes resolutions. But there is a third suggestion, which was also eliminated from the Cannes resolutions, and about which France could not accept any discussion. I should be failing in my duty as head of the French delegation and as the representative of my country, if I did not at once state that my duty is to raise an energetic protest against this. M. Chicherin announced in the course of his speech his intention of introducing, on behalf of the Russian delegation, the question of disarmament. Now, this question has also been rejected. It is not included in the agenda of the present conference. I say this with absolute simplicity, but quite definitely, and I must give warning that, when, and if, the Russian delegation propose to discuss this question, they will find themselves faced not only with a reservation and protest, but with an absolute denial, definite, categorical, final and decisive, on the part of the French delegation. Such is the protest which it is my duty to make at once, in order to make things quite clear. This attitude, of course, would carry with it the same consequences, if, in any committee, the president allowed the question to be raised. In any case, as I said, it was my duty towards my own Government and my own country to speak as I have done. Before, in the course of the debate, you heard me use words which certainly must have struck you as giving proof of an absolute desire for conciliation on broad lines, but there are certain questions upon which I must emphatically say 'No'. I say 'No' in public, in order to take up a definite attitude, and in order to avoid misunderstanding. I should do the same in the committees if the case arose, and I feel confident that I should be supported on this point by the Italian delegation, which proposed the declaration which you have just heard read. I claim my right to take this attitude. Nobody can escape the resolutions, the decisions and the engagements that have been taken, either directly or indirectly.

M. CHICHERIN (*Russia*), speaking in French: Gentlemen, in the French memorandum of M. Poincaré,<sup>6</sup> of which we do not know officially, but only through the medium of the press, it is said expressly that the meaning of the principles included in the Cannes resolutions is not very clear; therefore, we

<sup>6</sup> The reference is to the French Government's Memorandum of February 1, see No. 65, n. 5.

are making the same reservation, perhaps on other points of the agenda. We simply say that the scope of certain principles does not appear very clear to us, and we request to be enlightened on this point. As to introducing into the debate questions which are not mentioned on the agenda of the Genoa Conference, we do not know this agenda officially. There are questions on the agenda of Genoa which were not in the Cannes resolutions. The Cannes resolutions do not deal with questions of exchange, consular regulations, transport, &c. They deal only with certain of the questions on our agenda. As far as we know, we have an agenda which we consider as provisional and not final, for the Genoa Conference. But as we have come here in a spirit of conciliation, we are ready to bow to the collective decision given by the conference about its own agenda. As to the idea of periodical conferences, it was the Prime Minister of Great Britain himself who introduced this idea in one of his recent speeches. I am only repeating what he himself declared.

As to disarmament, I am not aware of the official position taken up in this respect by the various Governments which have convened this conference. The point of view of France was known to us from statements made by M. Briand at Washington when speaking in the debate on the limitation of armaments.<sup>7</sup> He said that the reason why France opposed disarmament was the state of armaments in Russia. We were, therefore, led to suppose that, if Russia did consent to disarm, the reason cited by M. Briand would *ipso facto* disappear. I may remark, in this respect, that the question of disarmament has not been excluded from the present agenda. For us it is a capital question, but I will here repeat what I said before, having come here in a spirit of conciliation—we are ready to accept the decision of the conference if it decides that this question shall not be included on the agenda.<sup>8</sup>

MR. LLOYD GEORGE (*British Empire*), speaking in English: I would just like to say one or two words about the episode which we have been witnessing with great interest. We have been trying assiduously, some of us, for over three years to secure a conference of all the nations of Europe including Russia. At least three efforts have been made. They have broken down upon each occasion because there was disagreement as to the basis of the conference. I think, looking back upon those failures, that those who are interested in peace realise that it was a mistake to raise certain issues which were fatal at the time to securing a conference between the nations. I sincerely hope that that mistake is not to be repeated to-day.

<sup>7</sup> See Volume XIV, No. 439.

<sup>8</sup> In his telegram No. 6 (Genoa series) of April 10, Mr. Gregory reported: 'Prime Minister rose at this point and appealed to Monsieur Chicherin in a chaffing speech to withdraw his announcement that he wished to raise any subjects outside Cannes agenda since programme of Genoa conference was already sufficiently loaded. This speech was very generally applauded by the whole assembly and restored harmony, although Barthou made one further effort to challenge Monsieur Chicherin and renew controversy.'

'Signor Facta, whose chairmanship was very firm and reasonable, ruled both out of order and this ruling which was generally approved by the assembly put an end to discussion.'

With regard to the three points challenged by M. Barthou, which appear in M. Chicherin's speech, I do not understand that M. Chicherin understood them as conditions, but rather as general observations, very useful in themselves, but a little dangerous. There is nothing which is half as explosive as a peace conference. When you meet in the spirit of peace and good will, I have observed everybody is on the lookout for offence against his neighbour, and, therefore, I earnestly hope that these most admirable observations, quite beneficent in themselves, but which fall beyond general aspirations for the well-being of humanity, should rather be excluded from a conference whose agenda is already rather more than some of us can handle in the few weeks at our disposal. A universal conference, I have no doubt, is a very good thing in itself, admirable; but there are very few of us who have time for it. I am getting old myself; I do not think I could last out a universal conference. Therefore I beg M. Chicherin not to press that the Genoa Conference shall go on from the present agenda and expand into something which is universal, ethereal, noble, exalted, but very prolonged. We should all be in the realm of peace, where I hope there will be no more war and no more conferences, before we ever realise that blissful proposal.

With regard to periodic conferences, it is perfectly true that I did say that I thought conferences were cheaper than war.<sup>9</sup> I think they are, much. What kind of conferences they should be—whether they should be conferences under the auspices of the League of Nations, whether they should be other conferences—that is a matter for discussion. But we have so much to do at Genoa that I think we might postpone that consideration until a little later. The United States of America might have something to say to it as well, but they are not here yet. If this develops into a universal conference there will be time for them to arrive. Meanwhile, there is much to quarrel about, I can assure M. Chicherin. If he only looks carefully at the Cannes agenda he will find an infinite variety of matter upon which he can challenge M. Barthou, or abuse M. Poincaré and myself. He need not, therefore, reach beyond this agenda. I respectfully suggest to him, by way of encouraging him, to confine himself to the Cannes proposals. There is a vast variety of the most promising matter for quarrelling with everybody in the whole conference, if he only confines himself to that. I therefore beg that he should drop the universal conference, having made that observation, which has impressed us, I have no doubt.

M. Chicherin has quoted a speech I made in the House of Commons,<sup>5</sup> which was a very good one, and I am very glad that he approves of it.

Now I come to the third matter, the question of disarmament. I will tell you frankly my view about disarmament. Unless the Genoa Conference leads to disarmament, it will be a failure; but before you get disarmament you must have an understanding. You must have peace. You must know that the nations are really prepared to march together. That is the business of the Genoa Conference. That has got to be established first. You must have

<sup>9</sup> The reference here appears to be to Mr. Lloyd George's speech to the Coalition Liberals on January 21, 1922. See *The Times*, January 23, p. 5.



a basis for disarmament, and if you super-add to that a discussion upon the particular proposals of disarmament, it will wreck the conference. It has already got as large a cargo as it can carry. In every civilised community they put a load-line on the ship, in order to show how low down you can load it. Now I ask M. Chicherin not to remove the load-line. If he does, he will sink the ship and he may find himself among the drowned. We have got just as much on board as the tonnage will permit. We know exactly what this craft can carry quite well, and I ask him not to put more and more on. There is rough weather in front, and an overloaded ship does not get very easily through the waves. Let him settle these things first; they are big things; they are immense things; the peoples are waiting for them—they are hungering for them. Do not let us destroy hopes by asking for more than can possibly be managed in the course of a single voyage. Let him finish this voyage first, and go home with all the ship can carry from here. We shall then welcome him on another voyage, when we see what sort of passenger he is. I have no doubt he will be an agreeable one, and I have no doubt he will work well the rudder or whatever part he has assigned to himself upon the boat. But let us finish the voyage first, and when you have got the understanding and goodwill, when Russia and all the other Powers have understood each other and go home in a spirit of friendship, then disarmament comes. The League of Nations is considering practical disarmament proposals at this moment. M. Barthou is not shunning that. Whatever further question there may be, can be referred to that body; you can even strengthen that body if it is not strong enough. M. Chicherin has accepted the principles of Cannes, and he has accepted the agenda of Cannes. He says the Cannes resolutions are not clear, and he quotes M. Poincaré. I do not agree either with him or with M. Poincaré. The Cannes resolutions are as clear as the two best languages on earth can make them, the French and the English. I am intervening as a man of peace. Let us get on to business. Let us stop raising infinite questions outside. Let us stick to a very big agenda, and get along.

THE PRESIDENT, speaking in Italian: I should like to make a brief declaration to the meeting. The essential object of to-day's session was to lay down the general lines of our work. But I cannot refrain from telling M. Chicherin, in reply to his last speech, that he was not altogether correct in stating that our agenda is only provisional. The statements made at the beginning of the session made it clear that the agenda now submitted to the assembly is the agenda drawn up on the basis of the Cannes resolutions. Now this agenda is definitive. There is a French text and an English text, both of which have been discussed and adopted. Consequently, it will be the duty of the president of this conference to see that the agenda is loyally adhered to. Thus only will it be possible to guarantee the precise method in which our work can most usefully proceed.

I also wish to associate myself with the remarks of Mr. Lloyd George, when he said that the cargo carried by the ship of the conference is so heavy that it is our bounden duty to begin our work at once. Let M. Chicherin be assured

that if the conference is fortunate enough to bring into harbour the greater part of the cargo in question its work will be such that the whole world may justly be satisfied with it.

In any case, as long as the present agenda remains in force it is the duty of the assembly to secure its observance.

M. CHICHERIN (*Russia*), speaking in French: I beg leave to speak.

THE PRESIDENT, speaking in Italian: It does not seem to me altogether advisable to continue this discussion to-day. In view of the general trend of the debate up to the present I think it best in the interests of our work that the discussion should be closed. I should, therefore, be grateful to M. Chicherin if he would refrain from addressing the meeting.

M. BARTHOU (*France*), speaking in French: Gentlemen, if we had to-day reached the end of the agenda before us, we should see that in the part referring to the establishment of commissions, brevity of speech is recommended. We have not yet reached this point.

Nevertheless, I will take this recommendation into account. I will make no set speech, but will be brief. It is none the less true, however, that this meeting must not break up with an ambiguity.

THE PRESIDENT, speaking in Italian: My request that the discussion should not be prolonged was a general one. I do not consider it desirable that this debate should be continued at further length here. I have asked M. Chicherin to refrain from speaking, and I should be very grateful to M. Barthou if he, too, would not continue any further on this point.

M. BARTHOU (*France*), speaking in French: I am always willing to refrain from speaking, as I know by experience that it is in certain circumstances the best course; but I also know that, in certain circumstances, it is essential to speak. I must fulfil my duty, and there is only one further point on which I wish to insist. Are the Cannes conditions accepted by all the delegates taking part in this conference, or are they not? If there are some who do not accept them, we cannot allow the continuation of a discussion which would go beyond the limits to which the president of the conference has referred. If the conditions are accepted, I have no further observations to make; we are all agreed, and, as Mr. Lloyd George has said, let the ship proceed.

THE PRESIDENT, speaking in Italian: I think it well to add one other consideration. At the beginning of the sitting I stated that the agenda of the conference was that decided upon at Cannes, and that the conference was based on the decisions taken at Cannes. No one has raised any objection to this, which means that my statement is accepted, and I therefore regard the question as finally settled.

I now wish to bring to the notice of the conference certain rules which have been prepared for the regulation of our work, and which are at this moment being distributed. The rules which will be adopted for the regulation of our discussions will be as follows:—

- (a) Commissions will be formed to consider the questions on the agenda. Each delegation may appoint one delegate to sit on each of the com-

missions; the Powers which have five delegates at the conference may appoint two delegates each for this purpose.

- (b) Each State represented at the conference is entitled to appoint deputies to the same number as its plenipotentiaries.  
The deputy delegates may be accompanied by technical advisers.
- (c) The president, together with the presidents of the commissions, will form the presidential bureau of the conference.
- (d) In the absence of the president, or of the president of a commission, the duties of his office will be performed by a member of the delegation to which the president belongs.
- (e) The official languages of the conference are Italian, French and English.
- (f) The publicity of the proceedings will be provided for by means of official communiqués drawn up by the secretariat with the approval of the president of the conference. The plenary meetings only will be public, except when otherwise notified.
- (g) A commission for the verification of credentials, composed of one delegate for each Power, will at once proceed with the verification of the credentials of the delegates.<sup>10</sup>

<sup>10</sup> This Commission met on April 13, under the presidency of Signor Celesia and set up a sub-committee composed of Signor Celesia (Italy), Count D'Avignon (Belgium), M. Fromageot (France), Sir Cecil Hurst (Great Britain) and Dr. Hatoyama (Japan). On May 19, the Commission for the Verification of Credentials reported to the Final Plenary Session of the Genoa Conference as follows:

'The examination of the credentials lodged with the general secretariat of the conference has resulted in the following findings as regards the delegations of twenty-eight States assembled at Genoa in response to the invitation issued by the Italian Government in execution of the resolution adopted at Cannes on the 6th January, 1922.

'1. As regards Albania, Austria, Belgium, the British Empire, with the Dominions of Canada, South Africa, Australia, New Zealand and India, Bulgaria, Czechoslovakia, Denmark with Iceland, Estonia, Germany, Greece, Hungary, Italy, Japan, Latvia, Lithuania, Luxembourg, the Netherlands, Poland, Portugal, Roumania, and the Serb-Croat-Slovene Kingdom, the documents lodged constitute in different terms powers regular in form emanating from chiefs of States or authorities at present exercising the functions of the same, and expressly or implicitly giving to the persons therein designated authority to take part in the said conference subject or not subject to ratification, in the name of the Governments of the said States regularly invited.

'2. As regards Finland, France, Norway, Spain, Sweden, and Switzerland, the documents lodged contain no power to conclude or sign any act binding the Government, but only give to the persons therein designated authority to take part in the deliberations of the conference in the name of the Governments of the said States regularly invited. The Spanish delegation has promised to lodge a similar document, but has not yet done so.

'3. Finally, as regards Russia, M. George Chicherin, M. Leonide Krassin, M. Maxime Litvinoff, M. Adolphe Joffe, and M. Christian Rakowsky, have lodged five documents dated Moscow, the 22nd February, 1922, signed M. Krassin, president of the Pan-Russian Central Executive Committee; M. Enoukidze, secretary of the Pan-Russian Central Executive Committee; and countersigned George Chicherin, Commissary of the People for Foreign Affairs. These documents, composed in the Russian language, and accompanied by a translation in the French language declare that "the Pan-Russian Central Executive Committee of the Soviets of Deputies, Workers, Peasants, Soldiers of the Red Army and

The rules which I have read provide for the establishment of commissions. From the agenda drawn up at Cannes, it is, in my opinion, clear that the work of the conference may be divided into four distinct sections. The first will include Nos. 1, 2 and 3 of the agenda; the second No. 4; the third No. 5; and the fourth No. 6.

It is clear that the problems contained in each part of the agenda must be discussed by different commissions, and I therefore propose to appoint four commissions to consider the various groups of questions inserted in the agenda. The various delegations will communicate to the general-secretariat the names of their delegates for each of these four commissions, and of their delegates on the commission for verification of credentials.

If there is no opposition, it is understood that the proposed regulations are accepted.

(The regulations were approved.)

THE PRESIDENT, speaking in Italian: I now inform the conference that the commissions will be constituted according to the rules of procedure. The First Commission will meet to-morrow at 10.30 A.M., at the Royal Palace, and the other commissions will be convened by notice.

I have the honour of proposing to the conference that Baron Romano Avezzana be appointed secretary-general to the conference.

(The proposal was adopted unanimously.)

*(The meeting terminated at 7.10 p.m.)*

Cossacks of the Federal Socialist Republic of the Soviets of Russia," has nominated M. Chicherin, M. Krassin, M. Litvinoff, M. Joffe, and M. Rakowsky, plenipotentiaries of the Federal Socialist Republic of the Soviets of Russia, to the Genoa Conference. These documents add that the Federal Socialist Republic of the Soviets of Russia directs the above named persons in its name to represent and defend at the said conference the interests of Russia, and to conclude and sign "in the name of Russia" all acts which may be prepared at the said conference.

'In form, these documents give to the persons designated therein power to take part in the proceedings of the conference, and to conclude and sign the acts of the said conference in the name of the Federal Socialist Republic of the Soviets of Russia which has been regularly invited to the said conference.

'It appears, moreover, from the said documents, that the Federal Socialist Republic of the Soviets of Russia, acting in the name and as mandatory of certain other "Republics of Soviets", "Soviets of the People", or "Nazires of the People", to which no invitation has been sent, also directs the above-named persons to represent and defend the interests of the said republics, soviets, or nazires, at the said conference, and to conclude and sign in their name all acts which may be prepared at the said conference.

'Finally, these documents add that the Federal Socialist Republic of the Soviets of Russia likewise directs the above-named persons to conclude and sign any separate international treaties or agreements relating directly or indirectly to the said conference with any States represented thereat, or with any other State.'

P.C. 1] *Meeting of the First Session of the First (Political) Commission held on April 11, 1922, at 10.30 a.m.*

**PRESENT:** *President:* Signor Facta.

*Albania:* Mehdi Bey Fracheri.

*Australia:* Sir Joseph Cook.

*Austria:* M. Schober, M. Oppenheimer.

*Belgium:* M. Theunis, M. Jaspar.

*British Empire:* The Rt. Hon. D. Lloyd George, O.M., M.P., Sir Philip Lloyd-Greame, K.B.E., M.C., M.P.,<sup>1</sup> Mr. Dalal (India).

*Bulgaria:* M. Stambor.

*Canada:* M. Montpetit.

*Czechoslovakia:* M. Benes.

*Denmark:* M. Bernhoft.

*Esthonia:* M. Westes.

*Finland:* M. Enckell.

*France:* M. Barthou, M. Barrère.

*Germany:* Herr Wirth, Dr. Rathenau.

*Greece:* M. Gounaris.

*Hungary:* M. Bethlen.

*Italy:* Signor Schanzer.

*Japan:* M. Hayashi, Viscount Ishii.

*Latvia:* M. Mederoviez.

*Lithuania:* M. Galvanauskas.

*Luxembourg:* M. Reuter.

*Netherlands:* M. van Karnebeek.

*New Zealand:* The Rt. Hon. D. Lloyd George, O.M., M.P.

*Norway:* M. Mowinkel.

*Poland:* M. Skirmunt.

*Portugal:* M. Teixeira-Gomes.

*Roumania:* M. Bratiano [Bratianu]

*Russia:* M. Chicherin, M. Litvinoff.

*Serb-Croat-Slovene Kingdom:* M. Pašić.

*Spain:* Marquis de Villa-Urrutia.

*Sweden:* M. Branting.

*Switzerland:* M. Motta.

**GENERAL SECRETARIAT:** Baron Romano Avezana (*Secretary-General*), Marquis Durazzo, M. Bertelé, M. Jacomoni, M. Conte, MM. Lagarde and Zanchi (*Rédacteurs*), M. Camerlynck, M. Parodi, Mme. Agresti (*Interpreters*).

SIGNOR FACTA, as temporary president, requested the commission to proceed to the election of a president.

<sup>1</sup> Secretary of the Department of Overseas Trade and Additional Parliamentary Under Secretary of State for Foreign Affairs.

MR. LLOYD GEORGE proposed that Signor Facta, Prime Minister of Italy, should be elected president of the First Commission.

M. BARTHOU expressed his pleasure in seconding this proposal. Mr. Lloyd George's proposal was carried by a show of hands.

SIGNOR FACTA, having expressed his thanks, announced that the Second Commission would meet the same afternoon at 4 P.M. at the Royal Palace.<sup>2</sup>

He then requested the delegations of inviting Powers to appoint the members of the Committee for the Verification of Credentials. This committee would meet at the Royal Palace on the 12th April at 10 A.M.

Signor Facta pointed out that the First Commission had to examine the first three points on the Cannes agenda.<sup>3</sup> He thought that the commission itself should decide the methods of examination of the questions entrusted to it. He invited expressions of opinion on this subject.

COUNT BETHLEN<sup>4</sup> read the following declaration:—

The plenary conference has set up the First Commission in order to solve questions 1, 2 and 3 of the programme of the conference. It was clear from questions 2 and 3 that the establishment of European peace on a firm foundation and the fulfilment of the essential conditions in the treaties for the restoration of mutual confidence were the aims to be considered and attained.

The Hungarian delegation is convinced that this necessary mutual confidence is seriously hampered by the measures taken by certain States with regard to their ethnic minorities. Some of these measures were in direct contravention of the provisions of the treaties, while others indirectly nullified their effects, while all constituted a danger to peace and an obstacle to mutual confidence.

Several million Hungarians, a third of the nation, have been subjected to foreign domination.<sup>5</sup> It is not only desirable in the interests of the Hungarian nation, but clearly essential to the social order and peace of Europe, that the provisions of the treaties regarding the rights of minorities should be carried out in full and applied in every respect.

A check should be placed on the arbitrary measures which have compelled large numbers of the Hungarian *bourgeoisie* to leave the territories transferred to neighbouring States. Measures also calling for repeal are all those which, with a view to denationalisation, have expropriated goods owned by those in ethnic minorities or by those who voted to become or remain Hungarian subjects, also measures limiting for any reason the full and free power of disposal of present owners of property and hindering their co-operation in economic revival.

Such measures involve a further reduction in the volume of productive

<sup>2</sup> The minutes of the meetings of this commission, which dealt with financial matters, are not here printed. For a summary of the commission's report, see No. 109, Appendix I, below.

<sup>3</sup> No. 21, Appendix III.

<sup>4</sup> Hungarian President of the Council.

<sup>5</sup> There were approximately 955,000 Magyars in Czechoslovakia, 560,000 in Yugoslavia and 1,550,000 in Roumania, compared with 6,250,000 in Hungary. See H. W. V. Temperley (ed.), *A History of the Peace Conference of Paris*, op. cit., vol. v, pp. 150-1.

capital, which has already been greatly diminished, and unjustifiably aggravate the economic crisis.

The Hungarian delegation begs to express the hope that all competent persons will recognise that legal and loyal execution of the provisions of the treaties is an essential factor in the establishment of European peace on a solid foundation.

The Hungarian delegation feels it its duty to lay a resolution on this matter before the conference. It requests permission to lay this proposal before the sub-commission, whether Hungary is represented thereon or not. If this is impossible, the First Commission is requested to indicate at one of its sittings at which the Hungarian delegation may explain its attitude regarding the position of minorities.

M. BENES remarked that the question of minorities might possibly be included in the discussion on the restoration of international confidence. He wished, however, to point out that, in his opinion, this question could not be discussed in the general commission, for two reasons: first, because the discussion could more suitably be pursued in a smaller body; secondly, because the question of minorities, which was dealt with in the peace treaties,<sup>6</sup> had been referred to the League of Nations.

SIGNOR FACTA pointed out that the questions just raised showed the need of submitting certain questions to a sub-commission. It was therefore necessary to appoint this sub-commission. As discussion would be necessary in order that the delegations might arrive at an agreement on this subject, he proposed that the meeting be adjourned.

Signor Facta stated that the sub-commission was to be composed of one representative of each of the five inviting Powers, one representative of Germany, one of Russia and four elected by the other States.

M. CHICHERIN asked that the Russian delegation might have two delegates on the sub-commission. He pointed out that the Russian question would be of great importance in the work of the sub-commission. The admission of two Russian delegates would be of value in facilitating the work and expediting the decision of this sub-commission.

M. BARTHOU enquired what was the exact scope of M. Chicherin's proposal. Did he suggest that Russia alone should have two delegates, or that the inviting Powers, Germany and Russia should have the same number of representatives?

M. CHICHERIN said that he had no objection to the appointment of two delegates of the inviting Powers and of Germany. It was not for him to give an opinion on this point.

M. BARTHOU said that, if M. Chicherin agreed that all the inviting Powers, Germany and Russia should have two delegates, in view of the importance of the work of the First Commission, he would raise no objection.

M. MOTTA pointed out that if the inviting Powers, Russia and Germany had two delegates each, the other States, with only four delegates altogether,

<sup>6</sup> By the various minority treaties (see Temperley, *op. cit.*, pp. 132-49, 432-70).

would have their position weakened. It seemed to him most inopportune to make distinctions between the States represented at the conference when it had been formally stated that all countries would be placed upon a footing of equality. He added that the delegate appointed to the commission by each State could always be accompanied by experts or technical advisers. He thought it better to adhere to the principle that each State should have one delegate on the commission.

MR. LLOYD GEORGE said that he was in entire agreement with M. Motta. It should be remembered that this was to be a sub-commission which would not take final decisions. These would be for the full commission. The duty of the sub-commission would be to explore the various aspects of the question and subsequently to submit proposals to the full commission. If the number of delegates were increased as suggested, there would be twenty-six members on the sub-commission, which was too many. If work of value was to be rapidly carried out, a small commission was essential. Moreover, decisions would not be taken by a majority vote. Nothing was to be forced on Russia; if the Russians found themselves in the minority they could still decide on future action.

Moreover, as M. Motta had pointed out, each delegate could bring with him as many experts and technical advisers as he saw fit.

Mr. Lloyd George therefore invited M. Chicherin to withdraw his proposal.

M. BARTHOU remarked that M. Chicherin's proposal had been of use in giving Mr. Lloyd George the opportunity of expressing what was in the mind of everyone, namely, that the sub-commission would merely formulate suggestions for submission to the full commission, which would make the final decision. He felt sure that M. Chicherin would yield to the arguments which had been brought forward.

M. CHICHERIN stated that in view of the explanations given by the Prime Minister of Great Britain, and of the fact that the Russian delegate could be accompanied by experts, he agreed to withdraw his proposal.

SIGNOR FACTA said that as agreement had been arrived at, he would invite the commission to adopt the proposal which he had made.

It was agreed that a sub-commission of the First Commission should be appointed, composed of one representative of each of the five inviting Powers (France, Great Britain, Italy, Japan, Belgium), one representative of Germany, one of Russia and four representatives appointed by the other States.

SIGNOR FACTA then proposed that the meeting be adjourned in order to allow delegations to agree on their representatives.

*(The meeting was adjourned at 11.30 a.m. and resumed at 12.30 p.m.)*

SIGNOR FACTA announced that the countries appointed to send one representative each to the sub-commission were Switzerland, Poland, Roumania and Sweden. He invited all States represented on the sub-commission to appoint their delegates without delay, so that the sub-commission might hold its first meeting the same day at 3.30 P.M.



He then announced that the Second Commission appointed to consider question 4 of the Cannes programme would meet at 4 P.M. The Third Commission<sup>7</sup> and the Fourth Commission<sup>7</sup> would meet on the 12th April at 10 A.M.

M. CHICHERIN stated that he wished to make a declaration on behalf of the Russian delegation.

The Russian delegation protests against the presence of Roumania on the sub-commission. Roumania is at present in forcible occupation of the territory of Bessarabia, which was formerly Russian and is now Ukrainian. The Russian delegation does not desire to impose its wishes upon the conference, but cannot let this incident pass without protest.

M. Chicherin added that he had already sent to the president of the commission a written protest against the representation of Japan, whose troops were in occupation of territory formerly Russian and now belonging to the Far Eastern Republic, a close ally of Russia. The Russian delegation does not desire to impose its wishes upon the conference, but is unable to let these facts pass without protest.

M. BRATIANU stated that in a spirit of conciliation Roumania had decided, in order to facilitate the solution of the problem of European reconstruction, not to raise at this conference the question of territorial relations between Roumania and Russia. In view of the statements of M. Chicherin, he could not refrain from declaring that Bessarabia was an old Roumanian district, had been reunited with Roumania at the desire of the inhabitants and that this reunion had been confirmed by an international agreement signed by three of the inviting Powers. M. Bratiano felt bound to make this declaration in reply to the protest of the Soviet Government.

VISCOUNT ISHII said that he had been much surprised by the protest made against the presence of Japan on this commission. He observed that the protest of the Soviet Government extended even to Far Eastern countries. Japan, as one of the inviting Powers, would take her place on the full commission and on the sub-commission without asking for the authorisation of the Government of the Soviet Republic.

SIGNOR FACTA said that the arguments brought forward by M. Chicherin to oppose the representation of Roumania and Japan on the sub-commission could not stand and that no action would be taken in the matter.

*(The meeting was adjourned at 1.5 p.m.)*

<sup>7</sup> The minutes of the meetings of the third (economic) and fourth (transport) commissions are not here printed. For a summary of the commissions' reports, see No. 109, Appendix I, below.

P.C.S. 1] *First Meeting of the Sub-Commission of the First Commission held on April 11, 1922, at 3.30 p.m.*

PRESENT: *President:* Signor Schanzer.

*Belgium:* M. Jaspar; *EXPERT:* M. Cartier; *SECRETARY:* Count d'Avignon.

*British Empire:* The Rt. Hon. D. Lloyd George, O.M., M.P.; *EXPERTS:* Sir Philip Lloyd-Greame, Sir Sydney Chapman, Mr. J. D. Gregory; *SECRETARY:* Mr. Peters.

*France:* M. Barthou; *EXPERTS:* MM. Barrère, Alphand, Serruys, de Chevilly, and Youquie; *SECRETARIES:* MM. Massigli and Janquie.

*Germany:* Herr Wirth; *EXPERTS:* Dr. Rathenau, Herren Gauss and Fellingner; *SECRETARY:* Herr Simson.

*Italy:* Signor Schanzer; *EXPERTS:* the Marquis Visconti Venosta and Signor Giannini; *SECRETARY:* Signor Buti.

*Japan:* Viscount Ishii; *EXPERTS:* MM. Sato, Sekiba Yamanouchi; *SECRETARIES:* MM. Okamoto and Ashida.

*Poland:* M. Skirmunt; *SECRETARY:* M. Zaleski.

*Roumania:* M. Bratiano.

*Russia:* M. Chicherin; *EXPERTS:* MM. Krassin and Litvinoff; *SECRETARIES:* MM. Worowsky, Piliavsky, Klitschnikoff and Sabanin.

*Sweden:* M. Branting; *EXPERTS:* MM. Sandiom and Ouden; *SECRETARY:* Baron Hamilton.

*Switzerland:* M. Motta; *SECRETARY:* M. Ruegger.

*GENERAL SECRETARIAT:* Baron Romano Avezana (*Secretary-General*), MM. Bertelé, Jacomoni and Conte (*Secretaries*), MM. Lagarde and Zanchi (*Rédacteurs*), MM. Camerlynck and Parodi (*Interpreters*).

The sitting opened at 3.30 P.M.

SIGNOR SCHANZER considered that the sub-commission should be immediately constituted and its president appointed.

MR. LLOYD GEORGE proposed that the sub-commission should appoint Signor Schanzer as president. (*Approved.*)

SIGNOR SCHANZER expressed his thanks and assumed the presidency of the sub-commission. He reminded those present that the sub-commission was appointed for the purpose of fixing the method of application of the principles contained in the resolution passed at Cannes on the 6th January, 1922.<sup>1</sup> He accordingly invited the sub-commission to consider what method it would be preferable to adopt for that purpose. He asked if anyone wished to make a proposal on the subject.

MR. LLOYD GEORGE thought it was desirable to proceed without delay.

<sup>1</sup> No. 6, Appendix.

As the general principles had been accepted, the important thing was to proceed to the practical application of those principles. In this connection a committee of experts appointed by the inviting Powers had met in London for the purpose of considering the most practical manner of applying these general principles. After having worked very hard, the committee of experts presented to the inviting Powers a report<sup>2</sup> of considerable length. Mr. Lloyd George thought it very desirable that this report should be submitted to all the Powers represented on the sub-commission who were not represented in London. Mr. Lloyd George considered it was much to be desired that the conference should not separate after merely passing general resolutions, but that it ought to adopt practical conclusions in regard to the reconstruction of Europe.

The report presented by the London experts contained suggestions which it would be useful to study together. The Governments of the inviting Powers were not, however, bound by the conclusions of this report; they had just as free a hand in the matter as the Governments which were not represented in London.

If this proposal was approved by the sub-commission, the best course would appear to be to distribute the report of the London experts to the Powers who were not acquainted with it, and to adjourn the discussion until there had been time to complete the study of the report and the sub-commission was in a position to discuss it.

M. BARTHOU was of opinion that the work should proceed without delay. The study of the report of the experts was an excellent basis of discussion for the sub-commission. As Mr. Lloyd George had declared, the conclusions of the experts did not bind the French Government. He thought, nevertheless, that these conclusions should be made known to all the States participating in the deliberations of the sub-commission. For this reason he supported without any reservation on behalf of the French Government the proposal of Mr. Lloyd George.

THE PRESIDENT was in agreement with Mr. Lloyd George and M. Barthou in considering that the best method of arranging the work was to consider the report prepared by the London experts. He added that he wished to make the same statement as regards Italy as had been made by Mr. Lloyd George and M. Barthou; that is to say, that the Italian Government did not consider itself bound by the report of the experts which was to be considered by the sub-commission. He added that the report would be distributed at once, and that it would be for the sub-commission to decide if this report should be considered immediately, or if it was desirable to adjourn the sitting.

M. MOTTA considered the procedure proposed by Mr. Lloyd George excellent, but he thought it would be preferable to communicate the London report to all the States represented at the Genoa Conference. It was very probable that the conclusions of this report concerned not only the States which had delegates on the sub-commission, but also the others.

\* No. 56, Appendix.

M. JASPAR expressed his entire approval of the proposal of Mr. Lloyd George and M. Motta. On behalf of the Belgian delegation he observed that the conclusions of this report did not bind the Belgian Government.

MR. LLOYD GEORGE entirely approved the observations of M. Motta. He pointed out, however, that the report referred in many places to previous labours, which it would also be useful to communicate to the States interested. Moreover, in communicating all these documents, they would only be conforming to the methods previously employed.

VISCOUNT ISHII supported the proposal of Mr. Lloyd George.

M. CHICHERIN stated that the Russian delegation was not opposed to the proposal of Mr. Lloyd George and M. Barthou. If the Governments of the inviting Powers considered that they were not bound by the conclusions of their experts, the Russian Government was still less so, being entirely ignorant of all these documents. In this connection he had two observations to make which seemed to him indispensable: (1) it was necessary that sufficient time should be allowed to the Russian delegation to make itself acquainted with these documents and to study them, (2) Mr. Lloyd George had alluded to other documents quoted in the report of the experts. It was indispensable that these documents should also be communicated to the Russian delegation. All these documents had been settled in the absence of representatives of Russia, which knew nothing of the schemes which had been prepared in regard to her. The Russian delegation must be placed in possession of all the sources of information which would place it in a position to learn precisely the opinions which had been expressed in its regard. M. Chicherin added that two days would be necessary in order to study the documents, and be able to resume the discussion.

THE PRESIDENT explained that all questions relating to relations with Russia were dealt with in the report, which would be distributed to the delegations. The other documents to which this report refers are the reports prepared on financial and economic questions. These reports would be communicated to the competent commissions, and would by this fact be known to the Russian delegation.

M. BARTHOUS agreed with M. Chicherin, and was particularly happy to do so. The fact was that the London conclusions, which did not bind the Governments, would form an excellent framework for the labours of the sub-commission, and that the best method to adopt would be to proceed to an examination of these conclusions. It was, moreover, impossible to consider the first three points of the Cannes conditions separately. The three questions therein defined were closely bound up together, and it would be impossible to examine any one of these questions without being obliged to consider them all as a whole, and without at the same time dealing with the Russian question in general. M. Barthou entirely agreed that the sub-commission should allow the Russian delegation the time which it considered necessary for examining the London conclusions.

M. CHICHERIN was very pleased to be able to associate himself entirely with the statements of M. Barthou, which were inspired by a spirit of

complete justice which was of excellent augury for the future work of the conference. He also considered that the three first points of the Cannes conditions were bound up together and could not be discussed separately.

The next sitting was fixed for Thursday, the 13th April, at 10.30 A.M.<sup>3</sup>

<sup>3</sup> This sub-committee did not meet again until April 21.

## No. 70

s.g. 2] *Note of a Conversation between Mr. Lloyd George and Signor Schanzer, held at the Villa d'Albertis, Genoa, on Thursday, April 13, 1922, at 11.45 a.m.*

PRESENT: *British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P., accompanied by Sir Maurice Hankey, G.C.B.

*Italy*: Signor Schanzer, accompanied by Signor Jung, Signor Giannini.

*Allied Experts' Report: The Attitude of the Russians.*

MR. LLOYD GEORGE said that he had seen Mr. Wise<sup>1</sup> and had heard a second-hand version of Signor Jung's report.<sup>2</sup>

SIGNOR SCHANZER said that the Russians drew a distinction between pre-war debts and war debts, and perhaps the latter might be left out in the present conference.

MR. LLOYD GEORGE said that might be the case, provided the Russians accepted the same position as the other Allies.

SIGNOR JUNG in reply to Signor Schanzer, said that he agreed to this proposal. It would strengthen the position of the Governments towards the United States of America.

MR. LLOYD GEORGE agreed it would put all those who have been concerned in the war on the same footing. Then some day they could discuss the matter with the United States of America.

SIGNOR SCHANZER said that the Russians favoured the proposals of the experts<sup>3</sup> in regard to pre-war debts.

SIGNOR JUNG said that on the question of restoration or compensation they preferred the latter. They wished to give bonds, whereas it would be better for an individual to get back his property than to have Russian bonds. The Russians objected to returning the property because it interfered with their economic system. They were, however, ready to grant compensation. If, however, they were asked for property relating to a matter which they regarded as a Government affair, they were willing to give a lease. He understood that the French and Belgian delegates took a strong view upon this.

MR. LLOYD GEORGE said it was the same with the British people interested in Russia. They wanted their factories rather than Russian bonds. This

<sup>1</sup> See No. 8, n. 3. See also No. 72, n. 11, below.

<sup>2</sup> This was a verbal report.

<sup>3</sup> See No. 56, Appendix.

would be better even for the Russians, who had neither training, capital nor efficiency.

SIGNOR SCHANZER said that the Russians regarded restoration as a contradiction to their political and economic system.

SIGNOR GIANNINI said that the Russians were rather divided on the subject. M. Rakowsky and M. Krassin were not so strongly opposed as the others.

MR. LLOYD GEORGE said that British persons interested in Russia said they would not take a lease. The point was a very difficult one.

SIGNOR SCHANZER said that perhaps the best procedure would be, instead of discussing the articles of the experts' report in detail, to have a general discussion, and, taking the Cannes resolutions as a basis, to invite the Russians to expose their point of view.

MR. LLOYD GEORGE said he would like to explain what he was afraid of. If everyone wanted to settle, this procedure would be all right, but there were some people who were out to wreck this conference. If the Russians stated their position they would do what Signor Jung had suggested, and take up a difficult position. That would be worked on in the press. Mr. Wickham Steed<sup>4</sup> was reported to be staying in the same hotel as the French delegation, organising propaganda against the conference. He understood that he was trying to influence the Italian press also. The moment the Russians had committed themselves to an opinion, it would be blazed forth to the world and would very shortly reach Russia. They would then be bound to take up a rigid position from which they could not recede. Their public opinion would take sides. If the committee were strictly private it would be different, but he was a little afraid of the procedure as now proposed. If M. Barthou was willing to come into the scheme, the best plan would be to see the Russians first. If M. Barthou could not be relied upon to come in, it would be better for Signor Schanzer and himself to see them, either the same evening or the following day. He had not seen M. Barthou lately, but he thought he was a little getting away from his original position.

SIGNOR GIANNINI said that some of the French delegation said that the policy being followed was not that of M. Poincaré.

MR. LLOYD GEORGE said that M. Barthou had shown to him a telegram from M. Poincaré ordering him not to go into a committee with the Germans and the Russians. He had replied that if M. Poincaré wished to be able to touch a button and say that the Genoa Conference was to do this and not to do that, he would have nothing to do with it.<sup>5</sup> He had asked that M. Barthou should

<sup>4</sup> Mr. Henry Wickham Steed, editor of *The Times* since February 1919.

<sup>5</sup> Mr. Lloyd George had gone on to say: 'He could not understand M. Poincaré's attitude. France had isolated herself at Washington, she had antagonised America, and she now apparently wished to isolate herself in Europe. British democracy could not understand this policy, and would not associate itself with it. If M. Barthou would not agree to the work of the conference going on at once, he (Mr. Lloyd George) would certainly have to make an immediate statement as to the reasons to the whole conference.' A note of this conversation (of April 11) is printed in the Confidential Print (No. 12034), No. 187. In a private letter of April 12 to Mr. Lampson, Mr. Wigram stated: 'It will interest you to know that Barthou had an interview with the P[ri]me M[in]ister yesterday and asked him to

not be entrusted with the conduct of negotiations. He had recalled that M. Barthou had himself been President of the Council.<sup>6</sup> He was not, however, clear as to M. Barthou's precise position in the matter. It would have been very difficult if M. Barthou had refused to see the Russians, and he and M. Schanzer could hardly do so if M. Barthou had refused.

SIGNOR SCHANZER said it was necessary first to consider what answer they had to give the Russians on the various points. Having decided this, they could make up their minds whether to discuss the matter with M. Barthou or not. The real position they had to take up against the Russians was, first, to ask them to accept the pre-war debts; second, to decide the question of restoration or compensation for damage to private property.

SIGNOR JUNG said that the next big point was that of the indemnity to be paid to the Russians on account of hostile operations.

MR. LLOYD GEORGE said that would mean Russia treating the Allies as vanquished and as though she were victorious.

SIGNOR SCHANZER said that this question had been prejudiced by the experts.

SIGNOR GIANNINI agreed that the experts had prejudiced it by adopting the principle of the lump sum.

MR. LLOYD GEORGE said that that was a different thing. He read articles 5 and 6 of the Experts' Report. He had no objection to that, nor that the governmental debts should be taken into account. Supposing Russia owed Great Britain £600,000,000, Great Britain might accept £400,000,000.

SIGNOR SCHANZER said that he supposed that would be taken to wipe out all claims. He asked if this was not virtually an admission of the Russian claims.

MR. LLOYD GEORGE said this was not the case. It would be merely that Great Britain would take less. It would be necessary, however, for Russia to acknowledge her post-war debts. Italy and the other Allies all acknowledged them. Some day they would have to be liquidated. Russia must also recognise her debts and fix the amount.

SIGNOR SCHANZER said that the next thing was ascertaining whether France could accept. If convinced of this it would be easier to see M. Barthou.

SIGNOR JUNG thought that France would accept.

MR. LLOYD GEORGE said that the whole question was whether France postpone yesterday's meeting of the political committee pending a ruling from Poincaré respecting the propriety of French representatives sitting with Germans in view of the refusal of the latter to meet their treaty obligations. . . . The P[ri]me M[in]ister told Barthou that it was at Poincaré's request that reparation had been ruled out of the Genoa agenda, that he for his part was quite willing to discuss the matter at Genoa, but that he was not going to allow Poincaré to attempt to postpone Genoa now pending a settlement of reparation elsewhere, and that if Barthou persisted, he (the P[ri]me M[in]ister) would have no alternative but to tell the Conference that France was making impossible the continuance of the Conference. Barthou then completely collapsed and said that, having made his protest, he was ready to go on with the work of the Conference.' Mr. Gregory, referring to this same matter, reported in his telegram No. 12 of April 12, as follows:

'French representatives subsequently explained that they were personally much vexed at having to follow instructions from Paris which placed them in a false position.'

<sup>6</sup> M. Barthou had been President of the Council from March 20 to December 2, 1913.

could be carried along with Great Britain and Italy. If so, all would be right. If not, it would be necessary to induce the Russians to be so reasonable that France could not break the conference.

SIGNOR SCHANZER asked Signor Jung to specify the four points which had to be discussed with the French.

SIGNOR JUNG said they were, first, pre-war debts; second, restoration versus compensation; third, inter-Governmental debts, and what was to be set off for hostile operations. He saw difficulties here. The French difficulty was that they would try from a tactical point of view to exclude all question of compensation. On broad lines they did not want any liability.

MR. LLOYD GEORGE said that such a payment would in effect be an indemnity like that given by vanquished to victors. For France to admit this would be to say that France was paying an indemnity to Russia. The only plan was to write down the value of the war debt. The important issue was whether they would ask M. Barthou to come into the conversation with the Russian delegation.

SIGNOR SCHANZER said that it would be a good plan to see M. Barthou. There were a number of points on which they knew they were in agreement with France, and he thought that M. Barthou would be able to accept their point of view generally.

MR. LLOYD GEORGE said that M. Barthou was seeing the English journalists at 2.30. He probably intended to make a friendly speech to them. It might be useful to know his attitude.

SIGNOR SCHANZER said that he had news to the effect that M. Barthou would have to show his teeth from time to time, but would not break the conference.

MR. LLOYD GEORGE said that conceivably M. Barthou might even be led to break with M. Poincaré. Of course, he had no knowledge of this. He recalled that, after showing him the telegram to-day, to which he had referred, M. Barthou had taken his arm and walked into the conference. He then commented on the remarkable unanimity of the Italian press in regard to the conference. The same applied to the English press, except a few newspapers, and more especially the 'Times'. This was a matter of a personal vendetta against himself and not against the conference. Even the 'Temps' had rebuked the 'Times' for their attitude. He suggested that Signor Schanzer and M. Barthou should meet him that afternoon. The meeting should preferably take place somewhere outside the town.

SIGNOR SCHANZER agreed to invite M. Barthou to meet at Mr. Lloyd George's villa at 4 P.M.<sup>7</sup>

<sup>7</sup> See No. 71, below. In his telegram No. 26 of April 13 to the Foreign Office, Mr. Gregory transmitted the following from Lord Birkenhead to Mr. Churchill:

'Situation very satisfactory. Unequivocal acceptance of Cannes conditions by Russia at opening session confirmed all Powers of control [*sic*] and Eastern Europe in determination to work for settlement and make success of conference. Prime Minister's intervention in dispute between Barthou and Chicherin was therefore received with enthusiasm and all minor powers are now solid in following British lead. Rapidity with which they agreed on choice of four representatives for the first sub-commission despite their multifarious jealousies



MR. LLOYD GEORGE offered to meet at M. Barthou's villa if more convenient.

*Lithuania.*

SIGNOR SCHANZER said he had received a letter<sup>8</sup> from the Prime Minister of Lithuania who had asked for special sub-committees of the conference to examine the question of frontiers of Lithuania, Memel, Vilna, and the question of recognition.

MR. LLOYD GEORGE asked if the League of Nations was not dealing with this.<sup>9</sup>

SIGNOR SCHANZER said he was not sure. He would hand the document in the original to Mr. Lloyd George, and would be glad to have his advice on the subject.

*Hotel Miramare, Genoa, April 15, 1922.*

and rivalries was striking evidence of this. They are now declaring their desire to support British policy of conciliation and pacification. Prestige thus accruing to our statesmen is giving our representative most remarkable ascendancy in all committees and international meetings. Progress made in four days under Prime Minister's influence is really wonderful and his personal position in Europe has never been stronger. There is, of course, a reverse side to this very satisfactory picture. In spite of Prime Minister's efforts to work in unison with France, Barthou has been obliged on instructions from Poincaré to make two attempts to wreck the conference. Both attempts have failed and have accentuated isolation of France. Barthou has seen this and has declared himself determined to work with Prime Minister but there will undoubtedly be further difficulties with Paris. I have told Prime Minister that in my opinion it is essential to follow our present lines even at risk of a serious difference of opinion with the present French government. All Europe is against attitude taken up by France at this conference and it is not either for our dignity or our interests to defer to any veto which she may seek to impose on a policy in which all powers except herself are willing and even eager to follow our lead. I shall stay in this neighbourhood until all questions in which you and I are specially interested are satisfactorily settled. Show this to Chamberlain and Curzon.'

<sup>8</sup> Of April 12, not printed. The text of this letter was annexed (Annex F) to the Minutes of the Meeting of May 10 of the First Sub-Commission of the First Commission (see No. 121 below).

<sup>9</sup> See *L/N.O.J.* 1920, pp. 397-400, *L/N.O.J.* Special Supplement No. 4, 1920, and *L/N.O.J.* 1921, pp. 5-8, 181-2, 271-8, 764-85, 869-80, 990-1005.

## No. 71

I.C.P. 238A] *British Secretary's Notes of Informal Meeting, held on the Terrace of the Villa d'Albertis, Genoa, on Thursday, April 13, 1922, at 4.15 p.m.*

PRESENT: *Belgium*: M. Jaspar arrived towards the end of the meeting.

*British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P. (*in the Chair*), Sir Philip Lloyd-Greame, K.B.E., M.C., M.P., Sir Maurice Hankey, G.C.B., Sir Edward Grigg, K.C.V.O., C.M.G.

*France*: M. Barthou, M. Massigli, M. Lamiroux.

*Italy*: Signor Schanzer, Signor Giannini, The Marquis Visconti Venosta.

INTERPRETER: M. Camerlynck.

*Report of Experts: Information from the Soviet Delegation.*

MR. LLOYD GEORGE asked if Signor Schanzer had any definite news.

SIGNOR SCHANZER said that he had made a note of the principal points on which the Russian representatives had privately expressed an opinion.

The first point related to the portion of the report of experts<sup>1</sup> dealing with the financial engagements of preceding Russian Governments and municipal and local authorities. The experts had said they expected Russia to recognise its engagements. He understood that the Russian delegation had no objection to recognising those which were virtually pre-war engagements.

MR. LLOYD GEORGE asked if this included railways.

SIGNOR SCHANZER said that it did.

SIGNOR GIANNINI said that it was intended to cover local bodies and public utility undertakings. He thought he ought to mention that information had been received from only two people, who happened to be the Russian representatives on the Financial Commission, namely, M. Rakowsky<sup>2</sup> and M. Krassin.<sup>3</sup> In reply to Mr. Lloyd George, he said he did not know the views of M. Chicherin.

MR. LLOYD GEORGE pointed out that the two persons mentioned were Moderates.

M. BARTHOU said that he had received a document from M. Krassin. The latter had tried to see him two months ago when he was in London. He had replied that he could only enter into conversations as a private citizen. He had, however, received a letter in which M. Krassin had said that Russia would accept responsibility for pre-war debts. It was on the basis of this information that M. Poincaré had written a letter to Mr. Lloyd George informing him that he would not do anything without consulting his allies.<sup>4</sup>

SIGNOR SCHANZER said the second point was also important. It related to the portion of the experts' report dealing with the responsibility of Russia for losses due to action or neglect on the part of the Russian Soviet Government. The Russian delegation had no difficulty in accepting on the basis of reciprocity. So far as concerned reciprocity, he understood there was a question which affected France, relating to certain ships which had been requisitioned by General Wrangel and which the Russians wanted to have returned.

SIGNOR GIANNINI said this had only been mentioned as an illustration.

SIGNOR SCHANZER repeated that they accepted on the condition of reciprocity. It was not a question of damage arising from military action. That would arise on another point. There were two other points that were linked, namely, the debts and the liabilities of the Government for damage inflicted after August 1914, that is to say, virtually war debts. Connected with this was the question of compensation claimed by Russia for losses inflicted on Russian citizens who had suffered from the military and naval action on the

<sup>1</sup> See No. 56, Appendix.

<sup>2</sup> See No. 19, n. 9.

<sup>3</sup> See No. 4, n. 3.

<sup>4</sup> Cf. No. 29, n. 3.

part of the Powers. On the one hand, the Russians did not recognise their obligation to pay war debts. On the other hand, they demanded compensation for losses due to war action to the Russian State and Russian citizens. On this he did not think it was possible to settle the Russian debt. This was a question that must be dealt with as part of the whole problem of Allied war debts. In this question Italy was almost disinterested, and it was Great Britain and France that were mainly concerned. It did not seem to him right that Russia should receive compensation for losses resulting from military action by the Allies. This would give the appearance that the Allies were paying a war indemnity to Russia as though the Allies had been beaten in a war. Perhaps the solution might be found by the payment of a lump sum by Russia which would be based on the claims of the Allies, less the Russian claims arising from the hostilities supported by the Allies. The question might, in this way, be settled at the time when the war debts were liquidated. On the one hand, it must be recognised that Russia was entitled to some compensation. On the other hand, the Allies must not admit any obligation to pay an indemnity. For this the principle of the lump sum appeared to provide a solution.

The last point, which was also of great importance, concerned the restitution of the property confiscated by the Russians. The Russian delegation were ready to give compensation, but not to return property which had been sequestered. They would give Treasury bonds in payment. This very important question also mainly concerned France and Great Britain. He thought it would be necessary for the Allies to insist on the restitution of property and that they could not accept compensation in the form of Treasury bonds. He understood the Russians were likely to resist on this point. They would say that restitution was incompatible with the economic system of the Soviets. He thought it was necessary for the Allies to reach an understanding and establish a sort of single front on this question.

MR. LLOYD GEORGE, at this point, remarked that it was a pity the Belgians were not present, and, after a short discussion, a telephone message was sent to M. Jaspar asking him to come to the Villa d'Albertis.

SIGNOR SCHANZER said that the most difficult points were the following: first, the refusal of Russia to recognise the war debts, and, second, her desire not to have to return movable property.

There were also difficulties in regard to the mixed arbitral tribunals and judicial matters. On these points the Russians said that the proposals of the experts constituted a limitation of sovereignty.

MR. LLOYD GEORGE said that was to some extent true.

M. BARTHOUS said that the indemnities for Wrangel, &c., had been left out of consideration. The proposals of the experts had been based on the conversation at Boulogne.<sup>5</sup>

MR. LLOYD GEORGE said the suggestion he had made at Boulogne had been to demand payment of a round sum for war debts, which would take into account the claims of Russia without specifically mentioning them. In

<sup>5</sup> No. 34.

fact, the war debts would be written down so as to cancel out any claim of that kind.

SIGNOR SCHANZER said that if he had the impression that M. Barthou accepted Mr. Lloyd George's suggestion, agreement could be reached on this point.

MR. LLOYD GEORGE, after showing M. Barthou the relevant extracts from the *procès-verbaux* of the Boulogne meeting, pointed out that articles 5 and 6 of the experts' report ran together and were based on Boulogne. Great Britain was mainly hit by this clause. Great Britain had helped both Kolchak<sup>6</sup> and Denikin.<sup>7</sup> The Russian debt to Great Britain amounted to about £500,000,000. General Wrangel<sup>8</sup> was the only general that France had backed.

M. BARTHOU said he was a favourite who had not won the race.

MR. LLOYD GEORGE said that, as regards the war debts, his view was that Russia must put herself in precisely the same position as the other Allies. The question of inter-Allied war debts would have to be faced one day, namely, those of Great Britain, France, Italy, Belgium, Roumania, Serbia, Russia, &c. They should all be considered together as a whole.

SIGNOR SCHANZER said he agreed with Mr. Lloyd George, but he felt he ought to put the Russian case. The Russians said they did not recognise war debts because Russia had not benefited at all from the war and the other Allies had.

M. BARTHOU asked if the Allies had benefited from the peace of Brest-Litovsk.<sup>9</sup>

MR. LLOYD GEORGE pointed out that this was not a purely Russian question. It was not Russia who had come into the war to help the Allies. The quarrel had originally been a Russian one. France had then entered the war in support of her ally, and Belgium, Great Britain and Italy had followed.

M. BARTHOU quite agreed.

MR. LLOYD GEORGE said it was impossible to accept the Russian view.

M. BARTHOU said that morally and historically he agreed with Mr. Lloyd George.

MR. LLOYD GEORGE repeated that the only plan was to put the Russian war debt on the same footing as the other Allied war debts. The question of pre-war debts was different. Any counter-claim must be set against the war debt.

M. BARTHOU said that the counter-claim must not be based on certain parts of Russia in which the Allies had encouraged certain expeditions.

MR. LLOYD GEORGE said his idea was to write down the amount of the war debt and to allow the Russians to satisfy the counter-claims out of the balance. Articles 5 and 6 of the experts' report, which were based on the Boulogne conversation, provided for this. He continued that whatever counter-claim there might be, it must be made clear that it could not be

<sup>6</sup> See No. 34, n. 29.

<sup>7</sup> See No. 1, n. 8.

<sup>8</sup> See No. 1, n. 9.

<sup>9</sup> See No. 34, n. 26.

against the Allied nationals in respect of pre-war bonds or damages due to our nationals. Counter-claims must be in respect of damages due to the Government and not against our nationals. What was really important was to consider, first, how to form a common front, and, second, how to approach the question. It was important to get some of these questions cleared up before the Russians committed themselves in public. If they committed themselves in the Sub-Committee of the First Commission, where there would be nearly 100 people in the room, it would leak out and it would be very difficult for them to walk back. The news would reach Russia and get into the 'Pravda' and other newspapers. He would like to get into touch with them before they committed themselves in committee.

M. BARTHOU asked if it was proposed to talk with the Russians privately. This did not seem to him impossible, but it was necessary the conversation should be quite private. He would like to have M. Seydoux, his expert, with him.

MR. LLOYD GEORGE said he also must have an expert. He did not pretend to know details. Sir Philip Lloyd-Greame would act as his expert.

M. BARTHOU said he knew even less of the details.

MR. LLOYD GEORGE said he would never trust himself on a point like this without expert guidance. One advantage of a private meeting would be that the Germans would not be there.

M. BARTHOU asked if Signor Schanzer had any objection?

SIGNOR SCHANZER said he had none.

M. BARTHOU suggested that Signor Schanzer had seen something of the Bolsheviks: 'As we say in France, "You go to bed with them."'

SIGNOR SCHANZER said he was only communicating with them through intermediaries.

MR. LLOYD GEORGE said he would like to suggest postponing the meeting for the following day, which was Good Friday. He would like to occupy the time with a private talk with the Bolsheviks. Belgium ought to be represented there as she was much interested, having both capital and factories in Russia.

M. BARTHOU agreed to this course.

SIR P. LLOYD-GREAME asked if other committees would also be postponed.

MR. LLOYD GEORGE thought this unnecessary.

SIGNOR GIANNINI suggested there would have to be some good reason given to the press. Perhaps the best would be that more time was being given to the Russians.

This was generally accepted.

SIGNOR SCHANZER agreed with Mr. Lloyd George's proposed procedure, and asked what time the meeting would be. He thought it would be necessary to have another meeting with the Belgians.

MR. LLOYD GEORGE said that as M. Jaspar was on his way this might take place at once.

(At this point M. Barthou sent a telephone message to M. Seydoux asking him to attend.)

(M. Jaspar arrived at this point, and there was an adjournment while

Signor Schanzer explained the situation to him privately. Mr. Lloyd George added to Signor Schanzer's explanation that it was proposed to have a private talk with the Russian delegation.)

On resuming, Mr. Lloyd George said that the most difficult question to be considered was the compensation to nationals for property which had been confiscated. The Russians wanted to compensate and not to restore. They said that restoration was contrary to their economic system. As he understood the matter, they were ready to grant leases. The grant of a lease, say, of ninety-nine years, would be fairly satisfactory. If they would do that there would not be much to complain about.

SIR P. LLOYD-GREAME pointed out that many concessions had been granted on leases.

M. JASPAR said that the Belgian concessions were mostly freeholds.

SIGNOR GIANNINI said that leases were limited mainly to mines, quarries, &c.

M. JASPAR said that Belgium had a number of iron works, weaving factories and so forth, which were freehold.

MR. LLOYD GEORGE suggested that the difficulty might be got over by the right to grant a renewal of lease which would practically convert it into a freehold.

M. BARTHOU asked why both systems should not be employed, namely, compensation combined with a lease renewable at will.

SIR PHILIP LLOYD-GREAME said that was virtually the proposal of the experts, that there should be an option for compensation or a renewable lease.

M. BARTHOU said that supposing he had a factory in Russia which was a freehold and Russia did not wish to restore it since this ran counter to her system of nationalisation, this would alter the régime of his property, which was by hypothesis in perpetuity. By giving a lease they would only give compensation for the loss of part of his property and not for the rights in perpetuity.

MR. LLOYD GEORGE said that the point of view had also to be considered of those who advanced money. It would be easy to obtain capital if the person concerned had the right of renewal.

M. BARTHOU said that the two principles were not in opposition and might run together.

MR. LLOYD GEORGE suggested at this point that a draft should be prepared of two or three heads of agreement so as to ascertain how far the Allies were in agreement.

(Signor Giannini, Sir Philip Lloyd-Greame and M. Massigli left the room at this point to form a drafting committee.)

MR. LLOYD GEORGE said that they were agreed in regard to the past and now it was necessary to consider the future.

M. JASPAR said that in the case of a factory it was necessary to consider not so much the past as the future, since on this depended the real reconstruction of Russia.

SIGNOR SCHANZER said that it would be desirable to avoid offending the

Russian principles as regards property. They would not accept a capitalist régime.

M. JASPAR said that the restitution of a factory would be of little interest to the Belgium owner if he knew he could not raise fresh capital for it.

SIGNOR SCHANZER pointed out that the experts' proposals had been based on the idea of mistrust of the Sovietist régime.

MR. LLOYD GEORGE observed that what the Russian delegation would dislike would be the Debt Commission. They would not submit to the 'Turkifying' of so great a country. It was certain that sooner or later a Nationalist régime would come in, and this, undoubtedly, would set such a system aside.

SIGNOR SCHANZER pointed out that the Debt Commission was very different from the proposed Turkish Financial Commission.<sup>10</sup> It was a very clearly defined and very limited formula.

MR. LLOYD GEORGE pointed out that in some respects it closely resembled the Capitulations, but he had to admit the conditions of residence and trade were of the very first importance.

M. JASPAR said that the questions of investments and the raising of new capital were of the first importance.

SIGNOR SCHANZER said that the judicial recommendation also imposed limitations of Russian sovereignty.

M. JASPAR said that to take a mortgage was not a limitation of sovereignty.

M. BARTHOU said there was nothing inconsistent with sovereignty in taking a mortgage of a house or industry.

MR. LLOYD GEORGE pointed out that the present régime in Russia were merely birds of passage. Some day there would be a strong Russian Government as Nationalist as any in the world, and they would not stand this.

M. BARTHOU said there were two distinct questions. First, there was that of the Russian Debt Commission, which he agreed was equivalent to the 'Turkifying' of Russia. In addition to that, there was chapter II, article 8, dealing with the administration of justice. That merely suggested principles of justice which were recognised in all civilised countries. It was quite possible to have a convention between independent countries for the mutual benefit of their nationals in regard to this. It was important not to mix up these two questions.

SIGNOR SCHANZER asked if it would be possible to give up all control over finance.

M. BARTHOU said if there was no control there would be no guarantees and nothing but promises.

SIGNOR SCHANZER said this commission differed from the Turkish Financial Commission inasmuch as it would be partly nominated by the Russians. He admitted there were some rather severe clauses. Perhaps these might be simplified so as merely to enable the Allied Powers to see how events shaped in Russia.

<sup>10</sup> A Turkish Financial Commission was provided for by clause 231 of the Treaty of Sèvres (*B.F.S.P.*, vol. 113, p. 707); see Vol. VII, Nos. 11, 42, 48, 49, 70, and 77.

MR. LLOYD GEORGE said that it was necessary to consider, first, Communist sentiment, and, secondly, national pride. The first was a transient matter and might, he thought, be ignored. The other was growing, and the more Communism weakened the more national pride would grow until the Allies might find themselves up against something which would unite the whole of Russia.

M. JASPAR pointed out that this had happened in the war against Poland.

MR. LLOYD GEORGE said that in this case even the Grand Duke Nicholas<sup>11</sup> was said to have desired to fight for his country. It was essential to avoid coming up against that spirit, which would fortify the Communists.

M. BARTHOU agreed it was necessary to respect this. Mr Lloyd George had spoken to him of what a success it would be if he went back with his pockets bulging with Russian bonds. The worst thing that could happen, however, was for him to go back with bonds which were only worthless paper.

MR. LLOYD GEORGE said it was difficult to know what guarantee could be obtained. None of the Allies in their war debts had given any guarantee except the fact that it was a State debt. There were no specific guarantees between the Allies nor had the Americans any guarantee. A lien on the customs was not of much value because a foreign country could not collect the customs, but only the State itself.

M. BARTHOU pointed out the difference that the Allies were civilised States, whereas the Russian Government, as Mr. Lloyd George had perfectly and justly said in the House of Commons,<sup>12</sup> were merely brigands.

MR. LLOYD GEORGE said that they would abandon brigandage if they would accept civilised conditions. He was prepared to say that the value of the Russian obligations would double the moment an agreement was entered into.

SIGNOR SCHANZER asked if it was their intention on the following day to speak of administration and justice and the question of the remission of the debt.

(At this point M. Seydoux entered, and there was a short adjournment during which M. Barthou explained the position to him. The conference then adjourned to the interior of the villa.)

MR. LLOYD GEORGE said that on the following day he was in favour of attempting to *tâter le terrain*, in order to find out where the Russians stood.

M. BARTHOU said he had explained the situation to M. Seydoux. He said he not only had no objection, but even thought it would be an advantage, to have a conversation *officieusement* with the Soviet representatives.

M. SEYDOUX said that it was very important it should only be semi-official.

MR. LLOYD GEORGE said that there was not much time to lose if Signor Schanzer was to get in touch with the Russian delegation. He had not only to get in touch with them—which he could hardly do by telephone—but he

<sup>11</sup> Commander-in-Chief of the Russian Armies during the war.

<sup>12</sup> M. Barthou was possibly referring to a speech made by Mr. Lloyd George in the House of Commons on March 22, 1921 (see 139 *H.C. Deb.* 5s., cols. 2505-12).



also had to put off the meeting of the Sub-Committee of the First Commission arranged for the following afternoon.

M. CAMERLYNCK suggested that nothing should be said to the press regarding the postponement of the meeting.

THE MARQUIS VISCONTI-VENOSTA said he would arrange for the Russian delegation to be approached that evening and let all present know the result.

M. BARTHOU said they must not be under any delusion that it would be possible to keep the conversation secret after it had taken place.

MR. LLOYD GEORGE said that, nevertheless, it would be better not to let it be known now that the meeting was to take place. It would be better if it did not leak out for a day or two.

M. BARTHOU said he would tell no one, and he would ask all who did know to keep silence.

SIGNOR SCHANZER said that the journalists outside Mr. Lloyd George's villa would get to know.

THE MARQUIS VISCONTI VENOSTA said that the Russians would probably inform the public.

MR. LLOYD GEORGE suggested that they might be asked to keep it secret for a short time.

M. BARTHOU said it would not be possible in any case to talk of the inviting Powers having met, since Japan was not present.

SIGNOR SCHANZER said the meeting was purely informal.

M. BARTHOU suggested that Mr. Lloyd George should let the Japanese delegation know that there had been a semi-official conversation over a cup of tea that afternoon, and should inform them that they had been talking of financial questions interesting the Western Powers.

MR. LLOYD GEORGE thought that they should be told that there had been an informal conversation to see where the Russians stood.

M. BARTHOU said he had no objection.

M. SEYDOUX said it would be better to warn them exactly what was happening. He suggested it would be better to warn them to attend the meeting.

MR. LLOYD GEORGE thought that the presence of the Japanese would stiffen the attitude of the Russians.

M. BARTHOU suggested that the Japanese should be told what had happened, and informed that they would be kept *au courant* with the course of events.<sup>13</sup>

(At this point Signor Giannini, Sir Philip Lloyd-Greame and Signor Masigli returned and presented their report (appendix), which was accepted.)

THE MARQUIS VISCONTI VENOSTA said he understood that the press were not to be told before noon on the following day that the meeting arranged for the afternoon was adjourned.

<sup>13</sup> Sir P. Lloyd-Greame and Sir M. Hankey saw Baron Hayashi at 7.15 p.m. on April 13 and gave him a full account of the conversation here printed. A short note of this interview (S.G.5) is included in the Confidential Print on the Genoa Conference (No. 12034), No. 130.

SIGNOR GIANNINI said he understood that they were then to be told that another day had been given to the Russians to consider the experts' report.

M. BARTHOUS said that, in regard to to-day's meeting, he thought there should be no mystery; the press should be told that they had talked over a cup of tea over [*sic*] financial questions arising at the conference.

*Hotel Miramare, Genoa, April 13, 1922.*

#### APPENDIX TO No. 71

1. The Soviet Government to acknowledge and accept responsibility for all pre-war financial obligations, national, provincial, local and public utility, as laid down in articles 1 and 2.

2. The Soviet Government to acknowledge and accept liability for all actual and direct losses suffered by the nationals of other Powers as laid down in article 3.

3. The Soviet Government to acknowledge and accept responsibility for the war debt to foreign countries incurred by previous Russian Governments during the war.

4. The Soviet Government to be entitled to set off against such war debts any established claims by the Soviet Government on its own behalf or on behalf of its nationals, as laid down in articles 5 and 6.

5. Nationals of foreign countries who have been deprived of property in Russia shall have the following rights in respect of such property:—

(a) Nationals shall be entitled to demand the return of such property, subject to the following conditions:—

(1) If the property is leasehold the lease to be restored, as provided in the articles.

(2) If the property is freehold, the property to be restored on a lease of ninety-nine years, with a right of renewal and with a claim to compensation for the damage (if any) arising from the abrogation of the freehold interest.

(3) The national to be entitled to compensation for loss or damage in addition to the return of the property, as provided in the articles.

(b) If the national does not elect to have such property returned, he is entitled to compensation, as provided for in the articles.

(c) If property is destroyed or unidentifiable, the national to be entitled to compensation, as provided in the articles.

#### No. 72

I.C.P. 238B FINAL] *British Secretary's Notes of an Informal Meeting held at the Villa d'Albertis, Genoa, on Good Friday, April 14, 1922, at 10 a.m.*

PRESENT: *Belgium*: M. Jaspar.

*British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P., Sir Philip Lloyd-Greame, K.B.E., M.C., M.P., Sir Maurice Hankey, G.C.B.

*France*: M. Barthou, M. Seydoux, M. Massigli.

*Italy*: Signor Schanzer, The Marquis Visconti Venosta.

*Russia*: M. Chicherin, M. Litvinoff, M. Krassin.

INTERPRETER: M. Camerlynck.

### *Personnel at the Conference.*

1. MR. LLOYD GEORGE raised the question as to whether the experts should remain in the room.

M. CHICHERIN said that he had only come with two delegates and without any experts. He proposed that the experts should withdraw.

MR. LLOYD GEORGE agreed.

### *Object of the Conference.*

2. MR. LLOYD GEORGE said that he and M. Barthou, Signor Schanzer and M. Jaspar had had a conversation on the previous day,<sup>1</sup> and had come to the conclusion that the best plan would be to have an unofficial talk before any formal meeting. This, therefore, was a purely unofficial talk.

M. CHICHERIN nodded assent.

MR. LLOYD GEORGE said that each party could see where they stood and try to reach some approximate conclusion, leaving the details until afterwards. M. Chicherin had seen the document drawn up by the Allied experts.<sup>2</sup> Perhaps he would give his general views in regard to it.

M. CHICHERIN said that this document would place the Russian people in an impossible situation if they accepted it. The immense difficulty of the task of the conference arose from the fact that Russia had just passed through the most serious revolution in history.

MR. LLOYD GEORGE interpolated, 'except M. Barthou's revolution a century ago.'

M. BARTHOU said that each country had had its revolution.

M. CHICHERIN said that the fact that M. Barthou's country had had a revolution more than a hundred years ago might perhaps facilitate his understanding of the difficulties of the present situation. How would the great men of the Convention have answered, if after Jemappes<sup>3</sup> and Valmy,<sup>4</sup> Pitt and Cobourg<sup>5</sup> had demanded indemnities for some properties in France?

At this point M. Chicherin recalled the case of the *milliard des émigrés*,<sup>6</sup> which was considered as the work of the worst reaction. If M. Barthou recollected this perhaps he might better appreciate the present state of affairs. In Russia the revolutionary feeling was even more profound than in the case of the French Revolution. Everyone in Russia had formed the impression that the old world was done with, and that everything belonging to it had disappeared. The old economic system also was regarded as done away with by the revolution, the invasion and the intervention. It would be an extremely difficult task to bring home to the mass of the people that they

<sup>1</sup> See No. 71.

<sup>2</sup> No. 56, Appendix.

<sup>3</sup> The Battle of Jemappes, November 6, 1792.

<sup>4</sup> The Battle of Valmy, September 20, 1792.

<sup>5</sup> The Prince de Coburg, Austrian General Commanding the armies of the First Coalition.

<sup>6</sup> The reference is to a French law of April, 1825, by which émigrés whose lands had been confiscated during the Revolution, were compensated on a nominal basis of 1,000,000,000 (i.e. a milliard) francs.

must pay the old pre-war debts. Besides this, every worker and every peasant who had passed through the calamities of the periods of the invasion and intervention, considered that he should be recouped the damage. Most of them had had some relation killed, and had seen villages burned or factories fall out of use owing to the blockade, and they all expected damages to be paid. Those people who went about among local Soviets and spoke to them had been assailed by questions relating to payment of damages. Hence in this respect the delegation was subject to very great pressure. It was impossible for them to go against this pressure and against the universal will of the workers and peasants. The project of the Allied experts meant that an annual interest would have to be paid which was equal to the total of the pre-war exports. At that time, when the means of production had not been destroyed and the produce of industry was notoriously far higher than now, the exports had amounted to one and a half billion roubles gold. This figure was about equivalent to the annual interest on the debt as proposed by the experts. Reconstruction, therefore, would be impossible if the country had this burden on its shoulders, and so far from the Genoa Conference resulting in facilitating reconstruction it would render it impossible. Apart from the question of the debt, there were questions of the Debt Commission and the Arbitration Tribunal, which constituted an encroachment upon sovereign rights. For the moment, however, it was necessary to concentrate on the more important points. A third point was, restitution of goods which had been nationalised. The Soviet Government had made great changes in the system of production. Russia's principal resources, such as oil, coal and other works, which had formerly been conducted as private concerns were now conducted as big national concerns embracing large areas. Hence restitution was impossible. Another class of works consisted in separate isolated factories. These were now conducted by representatives of workers and of the Central Government with the co-operation of the trades unions. Their restitution would be against the will of the workers. It was impossible, therefore, to consider the restitution *in natura* of private property. His delegation knew the limit of what was possible in Russia. They could not put their signature to a document which provided for restitution of private property and burdened Russia with unbearable liabilities. Recent history showed that it was a fatal thing to put a signature to a document which could not be carried into effect. They knew, therefore, that they could not put their signature to such a document. No local Soviet—and these bodies took the greatest interest in all internal and external affairs—would authorise the Central Congress of Soviets to approve it. Consequently, they could not restore their factories *in natura*, and could not shoulder such burden. The Cannes resolution was susceptible of different interpretations, but in this informal talk it would be best not to discuss interpretations but to concentrate upon fundamental issues. The Russian delegation had welcomed the present opportunity for an informal talk because it would be more difficult in the formal commission to bring out in public the great differences lying at present between Russia and the Western Governments. In this smaller body they could speak freely. Hence, without passion,

taking a reasonable view, they would endeavour to try and reach an agreement, but it was very important for everybody not to awake the passions at home that are still in being. He recognised that the Western States had their public opinion. The Russians also had their own public opinion, and they had to submit to the will of the people. The difficulties were, therefore, enormous. To pay the annual interest prescribed by the experts was impossible; to go home without the principle of reciprocity was equally impossible; and to return after accepting the principle of restitution would also be impossible. He thought that Mr. Lloyd George's difficulties were much less than his own. They were face to face with an enormous historical problem, and in order to solve it, it was necessary to study most carefully all possible solutions.

M. BARTHOUS said he had very little to say. He did not wish to go into the historical question about Valmy and Jemappes. All he would say in regard to the milliards paid to *émigrés* was that they were paid to Frenchmen. The opening remarks of M. Chicherin seemed to have been addressed more particularly to him, but, in fact, they should have been addressed to all the Governments. The memorandum they had before them was a work prepared by experts, with whom, of course, French experts had collaborated. The experts had then reported their proceedings to the Governments. It was unjust to put France in a different position from any of the other Governments. They were there to try and reach an understanding with one another, so that he was unable to accept that France had any special or separate position in the matter. After he had heard M. Chicherin's speech, he had realised the difficulties in the presence of which they stood, and they must consider if they could come to an agreement or not. If the latter, it would be best to say so frankly. They were there as business men and they must face the difficulties and endeavour to resolve them. What he proposed in this talk, which he understood was completely *officieuse*, was to avoid generalities, and examine the various points put forward by the experts one by one. The best plan would be to examine what the difficulties and differences were and to face them. If Mr. Lloyd George, Signor Schanzer and M. Jaspar agreed, he suggested that they should take up the points raised by the experts one by one.

SIGNOR SCHANZER said that he had followed M. Chicherin's opening speech with close attention and realised that the difficulties were very serious, though he thought they were not insurmountable. He thought they might agree on some method of useful discussion. There were two points in M. Chicherin's discourse which had impressed him; first, the question of the debts and the counter-claims of Russia, and second, the question of the restitution of goods which had been sequestered. This latter might be set aside for the moment. What appeared to him unavoidable was to liquidate the past. M. Chicherin had said that this placed an excessive burden on Russia which could not be borne, and that it was necessary to present certain solutions to Russian public opinion. On the other hand, he thought if an understanding were to be reached, the result would depend upon a global

solution of what had to be paid. The other problem was how to present decisions, when reached, to public opinion. If they could agree on the substance and on the principle, a formula might be devised which would render possible the solution of this problem. In this informal discussion it was necessary to recognise that they started from certain principles and foundations. They must recognise war debts and indemnities for damages, &c., but this did not prevent their being dealt with by means of a global solution. This might render it possible to draw up some formula. Hence, he thought the best plan would be to start from the report of the experts, which M. Chicherin said was unacceptable to him. This report, however, was not one by the Governments, but merely by the experts. It might, therefore, be taken as a point of departure and discussed point by point. There were probably some points upon which the Russian delegation would be able to agree. Then afterwards, they might find a formula which would avoid a blunt statement of the application of the principles. Later on, some global solution might be found in regard to the debts. As regards restitution of property, he fully realised M. Chicherin's difficulty, but he thought it might be possible to reach some favourable conclusion and to establish an understanding. Then, without entering into details, it would be necessary to fix certain fundamental points on which it was necessary to reach an understanding.

M. JASPAR said he entirely concurred with M. Barthou and Signor Schanzer. They had before them the labours of the experts, which suggested the practical development of the Cannes conditions. The best plan would be to discuss these resolutions point by point and try to find how they could meet each other. Another plan would be to ask the Russian delegates to put forward alternative solutions based on the Cannes resolutions. He thought, however, that Signor Schanzer's method was much better and that three or four great questions of principle should be discussed one by one.

MR. LLOYD GEORGE said he agreed with M. Barthou that they should come to grips at once on the actual proposals submitted and try to arrive at an agreement. It was desirable, however, that each should understand the other's difficulties, and therefore he was glad that M. Chicherin had begun by stating his own difficulties. Each was alive to the difficulties of public opinion and each had their own difficulties. He would like to say that he himself was in a position of a man who for three years had tried to obtain peace with Russia and believed in it. There could be no peace in Europe without it. He had very serious difficulties with public opinion in his own country—sometimes more serious than appeared on the surface. Sometimes he had had to risk the political life of his Government, and this had been necessary even to enable him to come to Genoa. He did not doubt that the Soviet Government also had its 'die-hards' and that M. Barthou had his. In fact, all Governments had them. It was necessary, therefore, that each should understand the other's difficulties, and that was why he was glad M. Chicherin had begun as he had. So he hoped that M. Chicherin would let him put the case of the older Governments that also had their theories from which they were not disposed to depart; in fact, their belief in them tended,

if anything, to get stronger. Take, for instance, the question of debt. British public opinion was prepared to admit that the system of government in Russia was a matter for the Russians themselves. It was true that British public opinion had only reached this position gradually. In the case of the French Revolution, the process had taken twenty-two years. On this occasion less time had been required. On the whole, however, public opinion in Great Britain was disposed to abandon the contrary theory. When, however, it came to the question of establishing relations with Russia—trading, diplomatic relations, &c.—the matter was more difficult and certain conditions were indispensable. One of these indispensable conditions was the recognition of debts to individuals. What public opinion said was that if trade was established with Russia, what guarantee was there that Communist Russia might not possibly be succeeded by some more extreme form of government which would say that it did not recognise the debts of its predecessors, that it was standing in a new world in which these could not be recognised. In fact, the position of such an extremist Government towards the Soviets might be that of the Soviets towards the old Tsarist Government. Hence they could not enter into an agreement until Russia accepted the obligation of debts of the previous Government and the principle that whatever Government might be in power it would recognise that its debts must be acknowledged by its successors. The British had never been good traders with Russia. Their imports and exports had been relatively small. What British public opinion said was that if trade could be opened with Russia, it would be a good thing for others, and the world had to be considered as an economic unit, but it must have the condition of recognition of debts which would alone render it possible for capitalists to participate in Russian trade. Consequently, they had told the British delegation to go to Genoa and find out if the Soviets could give this indispensable condition. If, however, they could not, there was plenty of undeveloped land in the world where capital could be employed in a remunerative manner. For instance, there was ample room for development in India, Africa, South America and elsewhere. British public opinion said ‘Why should we not turn now to other countries?’ He had replied, ‘Well, let us try and establish trade with the older countries first; if we fail, then we must wipe Russia off the map as regards trade and try elsewhere.’ That was the general public opinion in his country. He had persuaded them first to try the plan of establishing peace in Europe. What were his conditions? First Russia must acknowledge her obligations, which M. Chicherin said was impossible. He only asked, however, that it should be the same for all, and that Russia should be in the same position as other countries. Russia had practically wiped out her internal debt by the same means as had been adopted in Germany, viz., by inflating the currency. Consequently, all she had was external debts. The peasants had obtained one asset as the result of the revolution, and that was that they had become practically masters of the land which had formerly belonged to the great landlords. That was the great economic benefit that the revolution had brought to them. It had been the same in the case of the French Revolution, and now it had happened in

Russia. It was not as though the peasant only had to say, 'Why should we recognise the debt?' Russia would not be better off unless the West came to her assistance with its experience and its capital. Russia must be a great seller if the peasant was to do well. Russia could not provide all the technicians and skilled men in a year or two. It had taken Great Britain years and years to train the necessary experts and acquire experience. The same was true of France, Italy and Belgium, and Russia could not build up all this in three years. It was no use his going back to say that Russia could not acknowledge their debts. He could not face the House of Commons with any agreement without this absolutely indispensable condition. As regards war debts, they only asked that Russia should take up the same position as all the countries that had formerly been her Allies. Later on these debts could be considered together. Great Britain owed £1,000,000,000 to America. France and Italy were both debtors and creditors like Great Britain. He looked forward to the time when the nations would come together to try and liquidate their debts. All they insisted on was that Russia should take up a position on the same terms as themselves, and as other nations which were both debtors and creditors, viz., Great Britain, France, Italy, Belgium, Jugoslavia, Poland, Roumania, &c. They only asked Russia to put herself in the same position as themselves so that one day all these questions could be regulated together. Now he would come to the case of private property. To speak frankly, compensation was in no way the same thing as restitution. How could Russia pay compensation? Consider the case of a man who had spent his whole fortune in acquiring property in Russia. The Russian Government took this away and said it was willing to compensate him. How could it do so? By means of bonds, by paper which would have no value for years. Even Great Britain and France and the other Allies had paid no interest as yet. The Russian paper might have a certain value, but it would be a deferred value. That made it impossible to resolve these questions unless Russia could see her way to restore private property. For example, Russia insisted on reclaiming her national ownership. There was a system in England whereby a landlord sometimes took the view that certain property was vested in the family, but he was ready to grant a lease with the option of renewal. By this means the Russian Government might, in accord with their principles, enable persons to do business there. The plan would be an advantage to Russia herself. These people who owned property in Russia had skill and capital. Consider the case of mines, for example. He had read M. Lenin's remarkable speech<sup>7</sup> in which he had pointed out that the proletariat had disappeared owing to the too prompt application of Communistic principles. By his plan Russia might retain her principles and yet give the lease of an undertaking and so introduce the necessary technical knowledge and capital. If the Russians said that in no condition could they restore and that they could only give bonds instead, he was afraid his task was an impossible one. Now he would turn to the next point, namely, reciprocity. He presumed that the Russian delegates referred to the destruction inflicted

<sup>7</sup> Cf. 152 *H.C. Deb.*, 55., col. 1900.



by General Denikin, General Wrangel, the Provisional Northern Government,<sup>8</sup> and Admiral Kolchak, &c. There was a time when the British Government had given some support to Denikin and a certain amount to Wrangel, but he recalled that this had been in its origin an internal struggle in which support had been given to one side. To ask for payment on this account was rather putting the Western countries in the position of paying an indemnity. It was like saying that they were a beaten nation which was to pay an indemnity. He could not take that view. If that were pressed, Great Britain would say, 'You can go your way and we will go ours.' That would be fatal. There were, however, ways of dealing with this question. When they came to compute the war debts a certain allowance might be made in respect of possible damage. If the Russians said that the Western nations had to pay reparations that was an end to it; but there might be some way of reaching a global amount to be paid which would be fixed on the basis of the war debts but would take the damage inflicted into account without specifically raising the principle. He suggested that the discussion should first begin with the question of pre-war debts, that then they should consider the restoration of property and then take up the question of counter-claims when considering war debts.

M. BARTHOU said he wished to say one word for the sake of clearness. He had listened to the translation and his mind had reached the same conclusion as Mr. Lloyd George, that first they should take as the point of departure the Cannes resolutions.

The first was that there should be no interference in internal affairs; the second that there should be no propaganda, and then the last and third part dealt with external policy. M. Barthou agreed with Mr. Lloyd George that the general questions should be left for the present and the discussion concentrated on debts and private property in order to see if an agreement could be reached.

M. CHICHERIN said that he first wanted to make a general observation. He understood from M. Barthou's and M. Jaspar's speeches that if they failed to reach a conclusion and an *impasse* were arrived at everything would be set at nought and they would go away. In that event, was he to understand that all the participants would begin to consider every hostile action and use against each other all the means at their disposal? Or, another method will be adopted and the influence of time reckoned with? It might happen that problems in regard to their economic relations, which now appeared insoluble, might in the course of years find a solution. Both sides might get accustomed to one another and so bring about permanent good relations. When the negotiations for a British trade agreement had been started, Mr. Lloyd George had said that they had now reached an armistice. They were now trying to negotiate final peace. If they did not reach this final peace he wished to know whether the armistice would also fall down, or whether some form of partial agreement might be arrived at and the armistice maintained,

<sup>8</sup> The Provisional Northern Government at Archangel had been supported by Allied (mainly British) troops in their fight against the Red Army in 1918 and 1919.

leaving the final peace to some later period. In short, whether they might not consider what measure of agreement could be reached now. If final peace were impossible, some questions might be deferred and on others some partial agreement might be reached or some other method of avoiding rupture might be discovered when dealing with these questions, which constituted, so to speak, the burning side of the negotiations. This category of questions might be dealt with more slowly so that the spirit of passion might abate. Thus, if it were found impossible to reach a complete agreement and they had to part, would it be a matter of war, not in its literal sense, but as to the character of their policy, or would there be some partial agreement, or would the armistice simply continue. Signor Schanzer had suggested that some formula might be found to soften the enunciation of the difficult principles. Perhaps not only a formula might be found, but some of the more burning questions might be left over until a later date or dealt with by such an agreement as would soften their character.

The two parties were not in the same position in some respects. The political system in the older countries led to the formation of parliamentary parties. A solution which was unacceptable to one party was often acceptable to the other; so that what one party might reject, another party might adopt. In Russia the political system was more subject to great elementary political forces. The mass of workers and peasants influenced Russia's policies in their essentials so that its will constituted a great elemental force. Thus, private ownership and recognition of debts without reciprocity could not be accepted by them. The great primary force of the will of the mass will not allow it. This was not a case of a parliamentary group of 'die-hards'. In Russia they had also different groups in the political circles, but, in addition to this, there were these great elemental forces of mass ideas upon fundamental questions which involved the whole mass of workers and peasants and could not be set aside.

Another question which had been raised was the guarantees that agreements would be carried out. It would be necessary for the Western Powers to recede from the assumption of the instability of the Russian Government. They knew for their part that the Government had its roots deeply planted among the masses of workers and peasants. It would be of no use for the delegation to recognise debts if it was thought that a more extreme Government might come into power and refuse to recognise them. When they negotiated or came to terms it was necessary that other countries should be perfectly clear that they had to deal in Russia with a stable régime. It is the new Russia, no other new Russia is possible.

The next question was as to their pre-war obligations. When in his note he had said that Russia recognised pre-war debt under some conditions, he had said she would take these on her shoulders, but that she did not recognise the principle of the recognition of the old debts. In this he had been voicing the views of the people. In this sense also Russia had adopted as a fact the ideas of the Cannes resolution, but all the new obligations taken up since the revolution gave birth to the new Russia would be completely binding upon

the new régime in principle, and it was fully recognised by the new régime that it undertook faithfully to fulfil its own obligations.

SIGNOR SCHANZER at this point asked what was their view as to war debts.

M. CHICHERIN said that, as regards war debts, their point of view was that these should be regarded as the financing of an enterprise in which the Allied Powers had achieved considerable advantages. As regards pre-war debts, he would explain his point of view on these when the question was taken up.

As regards private property, the method applied in Russia had been indicated by Mr. Lloyd George. In some cases private property had been dealt with by means of lease concessions. These were in the hands of concessionnaires or of mixed societies or trusts. The old proprietors were often approached and undertook to lease these concessions. It was found often that when the people carried on their form of business they conducted it better than others. Where such societies existed compensation was often given to the original owners in the form of participation in the trust.

MR. LLOYD GEORGE said that British business men interested in Russia would not look at a proposal for participation in a Russian company in the hands of Russians.

M. KRASSIN said that, nevertheless, some agreements had been concluded with foreign concessionnaires who associated themselves in concerns controlled by a mixed board with a Russian president.

M. CHICHERIN said he had some general observations to make regarding invasion and intervention. Originally the counter-revolutionaries were insignificant, and they were only made formidable by the intervention of the Allied Powers. He did not wish to bring into the question of counter-claims the character of victor and vanquished, but merely to deal with the question on the basis of international law and justice. He recalled that in the case of the 'Alabama'<sup>9</sup> it had not been regarded as payment by a vanquished nation, but merely as a desire for justice and good international relations.

As regards the method of work, one way was to take the project of experts and to examine it point by point. This was a very slow and tedious method, so he thought it would be better not to take the report of the experts, but to discuss certain main issues and examine these in turn. There were two methods: first, to begin with the most difficult questions; and second, to start on the easier questions and leave the harder problems till a later date, when they might be agreed upon more easily.

MR. LLOYD GEORGE asked M. Chicherin which questions he regarded as easy. For his own part he had not found any of the questions simple.

M. CHICHERIN said that the question of the future, namely, of the legal system in Russia, was one of the easier questions. He might have to make

<sup>9</sup> The 'Alabama', a ship built in Britain for the Confederate States Government in 1862, inflicted heavy losses on Union shipping during the American Civil War, for which the United States Government subsequently claimed damages from the British Government. Great Britain and the United States agreed (May 8, 1871) to submit the claims to international arbitration. Damages of \$15,500,000 were later awarded against Great Britain. For an account of the 'Alabama' dispute, see *The Cambridge History of British Foreign Policy 1783-1919* (Cambridge, 1922 f.), vol. 111, pp. 57-71.

reservations here and there as to maintaining of [*sic*] Russia's sovereign rights, but in essence there was no great difference of opinion. On this matter of legal status and on certain economic questions he did not anticipate much difficulty. He did not insist on the second method, but only wished to set forth the advantages of the various methods.

M. BARTHOUS said M. Chicherin had mistaken his meaning. When he had spoken at the plenary session of the Genoa Conference he had said that they must try and reach agreement on the essential points, and, if not, there was no use continuing. He recalled that he was the first French politician who in the year 1920 had asked for negotiations with the Soviet.<sup>10</sup> So he was not here in a spirit of hostility. He only wished to realise now his desire of two years ago, in accord with his personal sentiments and his position as a delegate.

He wished to say one word on the last part of M. Chicherin's statement, namely, that relating to the method of work. M. Chicherin had really raised the question as to whether they would deal first with the past or with the future. He must point out that it was impossible to consider the future until they had considered the past. How could anyone be expected to invest new capital in Russia unless he was assured as to the capital invested in the past? M. Chicherin had said that he was ready to guarantee a solid and stable Government. He must beg M. Chicherin's pardon, but he must remind him that the old régime had always insisted on exactly the same thing—that it was a solid and stable Government and provided perfectly sure guarantees. He started from the same assumption as Mr. Lloyd George, namely, that it was essential that the Soviet Government should recognise the obligations of its predecessors as a guarantee that its successors would recognise its obligations. Consequently it was important to examine the régime of the past and to grip at once the question of earlier debts.

M. CHICHERIN asked that M. Krassin might give an explanation of economic conditions.

MR. LLOYD GEORGE said that it was important first to deal with fundamental considerations, to which M. Barthou had referred. He agreed with M. Barthou that it was impossible to leave out the past. Great Britain and Russia had entered into a partial agreement; however, it had not proved a great success. There had been a good deal of trouble, and each side had suspected the other of violating it. Great Britain had suspected Russia of violating it in the East. Russia had suspected Great Britain of violating it in the West.

As regards M. Chicherin's proposal that some questions might be left unsettled, it was no use pretending that things could be left as they are. A conference that broke down would be bound to leave things somewhat

<sup>10</sup> In a speech in the Chamber of Deputies on March 5, 1920. Pointing out that the Russian border states, Poland, Roumania and Italy were negotiating with the Soviet government and that Great Britain was doing so in practice if not in theory, M. Barthou had said: '... sûrement nous viendrons les derniers, mais je ne voudrais pas que nous risquions d'arriver trop tard.' See *Annales de la Chambre des Députés, 12<sup>me</sup> Législature: débats parlementaires: 1920, tome 1<sup>er</sup>*—du 13 janvier au 31 mars, 1920, pp. 556-563.

different. All Europe would say that it had been found impossible to reach an agreement with Soviet Russia. If all the world was to know this there could not be peace, and it was no use pretending that things could be left as they are. It was essential to make peace, and he agreed with M. Barthou that it was necessary to deal with the matter as a whole. The past was an essential part of the agreement. Russia could get no capital without recognising the debts of the past, and a settlement was impossible without reaching agreement on certain points, including debts. It was important to know where Russia stood as regards this question, otherwise it would be impossible to continue.

SIGNOR SCHANZER said he was in entire agreement with Mr. Lloyd George. It was important to know the position of the question.

M. JASPAR said he concurred in this also.

M. LITVINOFF said he could see that it was necessary for people who were asked to embark capital on new enterprises to have a decision in regard to private debts. He would repeat that the Russian delegation would accept in principle the Cannes resolutions and was not going back on them. This should give satisfaction to business people. If they accepted the principles of their obligations to other Powers and made a declaration to this effect, a formula could be drawn up. It was necessary, however, to take into account the position in Russia which had resulted from the war and from the post-war policy towards Russia. If they could find a formula and agree upon it, it would be a great step forward; then details could be referred to some commission. What M. Chicherin had meant by partial agreement was an agreement in principle, the details being referred to some commission to be set up by the conference. The Western Powers had with them experts. Perhaps they might try and draft some formula which would suit both parties and leave the rest to a commission to find the way out. The difference between the Russian Government and other Governments was that the former were threatened with returning home and finding themselves in a worse position than before. It had required much courage for them to accept the principle of personal debts. There had been much opposition, but, nevertheless, they had told the people that they had claims also, and that they hoped there would be something to show. It was now proposed that they should go back to their people and say, 'Congratulate us! We have come back to you with another 20 billions of debts. Perhaps some capital will be found for us—perhaps not. Perhaps someone will give us a loan—perhaps not.' But, anyhow, the position would be worse than before.

MR. LLOYD GEORGE said that the Western Powers were not getting rid of their debts. They would have to go home without having got rid of their debts. They did not ask the Russians to do anything more than honourable men would do—recognise their debts. Absolutely nothing more was asked of them.

M. LITVINOFF said that rightly or wrongly the Russian people would regard the assumption of the previous obligations as new debts. They had always thought that by means of the revolution they had got rid of them. They must have something more tangible than that when they came to draft a formula.

MR. LLOYD GEORGE said he would like to have a few words with his colleagues before continuing.

(The representatives of Great Britain, France, Italy and Belgium then withdrew, and after consulting for a few minutes decided to ask the Russian delegation to adjourn.

The conference consequently adjourned at 12.50 P.M. until 3 P.M.

During the adjournment the Russian representatives, who were staying many miles away at Rapallo, stayed at the Villa d'Albertis,<sup>11</sup> and Mr.

<sup>11</sup> In a private letter of April 14 to Mr. Lampson (N 3704/646/38) Mr. Gregory commented: '... the perennial trouble still persists as regards Russia, namely the weakness of the Prime Minister for the infamous Wise [see No. 8, n. 3], and as I write, he is closeted with the Prime Minister and Chicherin and Litvinoff out at the Prime Minister's villa. For the moment they are only discussing the economic aspect of the Russian question, but I very much fear that it will be the same thing even when the political side comes to the fore. Largely however owing to Hankey's intervention Wise is excluded from the actual official sittings of the Commission on Russia, and only Chapman and myself accompany the Prime Minister and Lloyd-Greame. But unfortunately the tendency (as I suppose at all Conferences) will be for the official sittings to become merely formal and for their sole function to be to register what has been done behind the scenes. Lloyd-Greame is the greatest ally we (F[oreign] O[ffice]) have got here, and with his help I hope to be able to keep the F[oreign] O[ffice] end up. But I am not frightfully sanguine.

'I hardly know what general impressions to give you about the Conference as a whole. The opening temporarily defeated the cynics and inspired a certain amount of enthusiasm. The momentum of Italian opinion is in favour of making the Conference a success and an atmosphere has been created in which the possible wreckers feel themselves at a discount. The French were ferocious the first two days, but after some very straight talking from the Prime Minister on Tuesday [see No. 70, n. 5], Barthou came to heel. In the afternoon Seydoux asked Chapman and myself to come and see him and spent the best part of an hour in trying to convince us that the French only desired a good result and in conjunction with us. So evidently the *mot d'ordre* has gone forth, but whether from Paris or from Barthou we still don't know, and that is of course what matters. However, yesterday, in spite of an inflammatory speech which Barthou made to the journalists in the morning—he showed himself lamb-like in the afternoon at the Prime Minister's, having been got out there to be told that it would be good for him to see the Prime Minister privately to-day in company with the Bolsheviks. That he should have consented to meet them after all is a certain sign of conciliation. But it is of course early days to say whether the conciliation is genuine or only a manoeuvre. Skirmunt [Polish Foreign Minister] who is in rather special touch with them assures me that it is genuine.

'As to the Bolsheviks themselves, there are a hundred rumours all at variance with one another. Wise goes over to see them at Rapallo and brings back uncertain impressions. Jung the Italian, acts as a second go-between and reports also direct to the Prime Minister. But it seems probable that they are really out for a settlement, though they have definitely told Wise that they will sign nothing unless they are given full *de jure* recognition. That question has not, however, arisen at all as yet. All that is being done for the moment is to try and get them to accept in some form or another our Expert's Report, which was shied at their heads by the Prime Minister as a basis for discussion at the meeting of Commission No. 1, as it is called (in other words the political Commission) on Tuesday. [See No. 69.]

'The main objection which they have so far taken to the Report concerns the restitution of private property, one of the points to which we attached more or less vital importance. They hold that it would be quite inconsistent with their system to do this, and so a compromise is being proposed to them to-day by which they will be required to grant a 99 years lease with the option of renewal. This would of course be tantamount to restitution, though

Lloyd George arranged that Sir Sydney Chapman and M. Litvinoff should form themselves into a small sub-committee to endeavour to draft a formula as proposed by M. Litvinoff.)

On reassembling at 3 P.M. the personnel was the same as before, with the following additions:—

M. Theunis, Prime Minister for Belgium, had joined M. Jaspar, and the following experts were present:—

For Belgium: M. Gattier.

For France: MM. Felcourt and Alphand (the latter of whom presently joined Sir Sydney Chapman and M. Litvinoff).

For Great Britain: Sir Edward Grigg, and later Sir Sydney Chapman.

During the interval while the conference were awaiting the return of the

it violates the principle, and may quite easily not satisfy the former property owners. They reject also the Debts Commission in the shape of a Caisse de la Dette, which is what the French want; but this we anticipated and do not mind: and finally they will have nothing to do with a provisional régime as savouring too much of Capitulations but this equally we are not keen about. This is about as far as we have got, and it is not really very far. The Finance, Economic and Transport Committees are at work concurrently with us, and I understand the former has made considerable progress.

‘Of course it is much too early to foresee what is going to happen. But if all that is to happen is the conclusion of a glorified trade agreement with Russia and the passing of a few technical resolutions on exchange and currency, the mountains of Genoa will indeed have given birth to a more than ordinarily ridiculous mouse. That surely will have hardly been worth the terrific commotion that the Conference appears to us on the spot and the enormous expense entailed. Perhaps Commission No. 1. will be able eventually to dress it all up in an imposing Political Pact pledging non-aggression on the part of the States represented here, possibl[y]—and this I hope may result—by the recognition of existing frontiers. But one can hardly suppose anyone is going to be taken in by that. At present it all looks a bit wishy-washy.

‘The externals on the other hand do suggest that we are here to do something big. If it is to re-create a new Europe, then they also suggest that it is a somewhat precarious operation. Genoa is an armed city. There are cavalry patrols along the roads; the railways are guarded for miles out; the pavements are permanently lined with carabinieri and there are infantry pickets every fifty yards. At times the troops appear actually to out-number the citizens: but the delegates run the numbers pretty close! Some of the latter are all right: some decidedly not.

‘You never saw anything like the appearance of the Bolsheviks. There were two who came to the plenary session, who looked for all the world as though they had stepped out of a Drury Lane Pantomime—real melodramatic cut-throats from the “Babes in the Wood”—! Chicherin looks the degenerate he is, and of course except for himself and Krassin I fancy they are all Jews. It is very unpleasant to reflect that the main interest here is centred on the future relations between them and ourselves. We have been very busy, and informal conferences succeed one another till all hours in the deadwatches of the night. No doubt you found this at Washington. And the worst of it is that there is precious little to show for a long day (and night’s) work!’

‘P.S. (15:iv:22) Since writing—(a) a fierce agitation has got up among the Powers other than the “Inviting Powers” against the P[rime] M[inister] for substituting private conferences with the Bolsheviks for the procedure agreed on: a protest is to be made to the Italians: and they threaten to leave the Conference, if the P[rime] M[inister]’s system continues: (b) Wise’s star appears to be slightly on the wane—for reasons which I can’t discover.’

Drafting Committee, the Prime Minister said that while Sir Sydney Chapman and M. Litvinoff were discussing a formula it might be useful to hear M. Krassin's views as to what was most needed in Russia.

M. KRASSIN said that Russia wanted particularly help for her agriculture, her transport system and the reorganisation of her industries.

Agriculture might be assisted in two ways: (1), by direct help to the peasants; and (2), by the development of agricultural concessions for farming enterprises on a large scale.

With regard to the co-operation of re-establishing the peasant's agriculture, it would appear expedient to work out schemes of production for separate districts of a more or less considerable extent which would depend upon the amount of capital available. Such schemes of production must approximately be worked out on the basis of the agricultural development already reached by the population of the given locality, perhaps with some slight improvements which will not interfere with the organisation of the re-establishment by demanding too exacting requirements from the farmers. For the basis of the production schemes must be taken all the information regarding the extent of the land, the nature of the soil, and the working population, climatic conditions, average harvest, as also the available resources of agricultural machinery, inventory, beasts of burden, seeds, &c.

The comparison of the requirements for the execution of such a production scheme with the available resources will help to establish a detailed list of all the materials, machinery and inventory required, and generally, of everything which would be necessary to allow the peasants of the given locality to start the realisation of the agricultural production according to the prepared scheme.

It is necessary that the rural population should have at its disposal not only the necessary quantity of ploughs, harrows, drills and other agricultural machinery, but also seeds, the required quantity of cattle, the necessary household utensils, and in the case of the population of the famine districts, the necessary food, clothing, &c., as without such supply the peasants cannot proceed with the cultivation of the soil.

If a given district will actually receive a full supply according to such a carefully worked out scheme, there is not the slightest doubt as to the success of such an enterprise. The next harvest may already provide grain and other food products and raw materials for export abroad in payment of interest and amortisation of the loan which it will be necessary to obtain in order to secure the full supply for the peasantry with the necessary material for their work. The average crops of the peasant farms do not exceed 30-35 poods per dessiatine (1 pood = 16.4 kilogrammes, and 1 dessiatine = 2.7 acres). The cause of such a poor return lies in the fact of the extreme poverty of the peasants, which in its turn is a consequence of the pre-revolutionary régime in Russia. In the same localities where the peasant farms give the above indicated returns, some experimental agricultural institutes, which have existed for several years, give yearly a harvest of 100 to 120 poods per dessiatine.

Even if one supposes that the small peasant allotments, after having been



well supplied with the necessary agricultural machinery, cattle, seeds, &c., will not give the same results as the experimental institutes, it is still possible to increase the harvest on the peasant farms to one and a half to two or even three times. The realisation of these schemes from a commercial point of view does not imply any risk at all, and the only difficulty lies in obtaining the necessary credits. Such production schemes for different districts of varied extent have been already worked out by the Soviet Government, and the Russian delegation at the Genoa Conference is in possession of this information.

The credits which would be granted for the realisation of such projects might be guaranteed not only by the Soviet Government itself, but also by the peasants themselves in the form of contracts or obligations of the agricultural co-operatives of the given locality. The interest and amortisation of such loans will have to be paid out by the deduction of a certain proportion of the harvest starting from the second or third year as it will be necessary to allow a certain period for the organisation of this production. The realisation of such a scheme of credit must be of particular interest to those of European countries which do not produce themselves a sufficient quantity of grain and other food products. In such case a double advantage could be gained. On the one hand, the industry of such countries would immediately obtain a very considerable market for the export, not only of agricultural machinery and tools, but also for various metallic products and utensils, as also textiles, clothing, boots, and generally all those articles which are necessary to satisfy the demands of the peasants' households and agricultural production. At the same time the help rendered to the peasants would, after a few harvests, allow Russia to start her exports of cheaper grain and other food products abroad. In payment of the loans the creditors would directly have at their disposal for export to other countries, grain, livestock, butter, wool, &c. Development in this matter would create a new market for European trade, and would make food and raw materials available for export. The great advantage of this system was that it might be attempted in the first instance in a very small way and developed empirically if the returns proved to be good.

The second way of improving Russian agriculture was the matter of big concessions. There were very large territories with extremely fertile soils adjacent to the sea which considerably facilitate transport. They were easy of access for the delivery of machinery, tractors, electric plant and so forth. Concessions for these could be given for twenty-five, thirty or forty years.

In reply to the Prime Minister, he said that this territory was not occupied by peasants. There were big vacant estates.

In reply to Signor Schanzer, he said that roads and railways existed close to them. The roads could be used not only for ordinary transportation, but also for motor lorries, &c. Those lots of territories could be organised not only for the production of wheat, but also for such products as beetroot, sunflowers, &c. The general conditions for such concessions were that the concessionnaires should be free to work the estates and to use labour on the spot. They had the right to dispose of their products on the markets or to

export them in paying only some part of the crop to the Government. They had some such schemes in operation, and other agreements would be concluded in the near future.

He would come to the question of transport, railways, and repairs of railways. The railways had in many districts been destroyed in the great war or in the civil war, and there had been no time to repair them as yet. Generally speaking the Government did not intend to give concessions for the old railways, but they were willing to grant concessions for the new lines, especially in the north and in Siberia for the development of forests and natural resources. There was also a possibility of concessions in the regions traversed by the lines for agriculture with the possibilities of supplementary concessions in regard to the territory and the development of its resources. The water transport, especially on the Don and the Dnieper, also offered fields for concessions. For example, they were discussing with the Germans and Frenchmen the development of the Petrograd-Baku route by means of special vessels adapted to the channels of the Mariunsky system and to the Caspian Sea. The general difficulty arose in the paying of the concessionaire. This could be effected by means of a percentage on the goods carried, oil, wheat, tobacco, &c. People could obtain concessions not only for the railway itself but for the right to export raw materials.

In regard to industry, there were concessions and mixed societies with the participation of the State. He would not trouble the conference with details of separate concessions, for instance in the textile or in the metal industry, but would refer to those of fuel, timber, coal and oil. Timber was the most interesting, because timber could be moved by means of the waterways, particularly in the regions of Archangel, the Murman coast and Petrograd. Saw-mills and other enterprises were being nationalised, and the people who had claims against the Russian Government had been met by devising a scheme for Anglo-Russian and Dutch-Russian exploitation. The Russian Government gave concessions for these. The real administration of these societies would be carried out not by the Russians, but by foreigners. The Russians had the president and representatives on the board of general supervision in order to provide for their interests in the selling of the goods.

In the coal regions the matter was more difficult, particularly in the Donetz Basin where there were Belgian, French and some British interests. The oil was at Baku and Grozny. The difficulties for giving concessions in these regions arose from the fact that for four years the industries had been operated not on a private, but on a nationalised basis. The plan of production was now a common one over the whole district, and not so easy to adapt to private enterprises and property. The Government was interested in these because it could not supervise them all. At Baku, for example, there was only some 25 to 30 per cent. of the pre-war production. The demand of the experts' memorandum in regard to the restitution of private property could not be enforced at Baku, Grozny and the Donetz Basin, because these regions could not be operated by private capital. For example, Messrs. Nobel, the biggest firm in Baku, whose fields dispersed over the whole Baku district, had

small lots leased or bought during a period of twenty or twenty-five years. If Messrs. Nobel got back their property they could not restore it without restoring the whole district, because not only the pipe lines, but a common system of steam boilers and electrical plant which served the whole district had to be restored. Moreover, a great deal of the district was under water, and if it is dealt with at all it would have to be dealt with as a whole. It was impossible to restore the district without constructing big buildings and restoring the district as a whole. Technically and practically the experts' report could not be carried out here.

They were thinking of combining several big oil concerns to participate with the Russian State. They were even thinking that these concerns should negotiate with the old foreign proprietors and giving [*sic*] them a share. They would be in a different position on getting back into such a combination, and, in his opinion, most of the private foreign firms would do better to get back on these terms instead of acquiring their property without any hope of practical results. This would pay them better than even to obtain the rights which [they] are now claiming against the Russian Government.

SIGNOR SCHANZER asked two questions for information. First, as to the action of the co-operative societies; were they regulated by law? Secondly, were there any commercial laws to regulate joint-stock companies?

M. KRASSIN said that the co-operators were practically free within Russia itself, but in foreign trade they came under control of the People's Commissariat for Foreign Trade. They could conclude agreements with foreign co-operative societies direct, but for dealing with capitalists they must have the authority of the People's Commissary for Foreign Trade. In internal trade they were quite free within the limits of the laws of the land in regard to property and so forth. As regards the limited companies, laws were being elaborated at the present moment which were very similar to those in Western countries. Very possibly these would be published in a few days. M. Krassin then returned to his general report, passing to the fuel industry. The possibilities of production under the new system were greater than before. It was possible to combine the private proprietors and give them the hope of organising much better than in the past. For example, in the case of the oil at Baku or Grozny, it was always the practice to dispose the wells of the two neighbouring proprietors one against another. The disposition of the wells was not based on the geological structure of the subsoil, and the Russian Government specialists thought that the production could be increased three or four times if the fields were exploited not on the basis of private frontiers, but if worked as a whole. The same was true of the Donetz coal mines. Some could not be worked because they could not get coal on the surface. If they were worked together, the coal could be reached through the property of the neighbours, and there was also a possibility of an increase by two or three times.

As regards guarantees, the general juridical guarantees could be presented to-morrow, when an outline would be given as regards the legislation for industrial and general property and the positions governing foreign concessions.

M. BARTHOUS asked M. Krassin how the laws were passed and what measure of guarantee they afforded. He mentioned that in the parliamentary régime of Western countries the will of the people was exerted through elections by which assemblies were created for the passage of legislation. There was in addition an executive responsible to the Legislative Assemblies. He would like to know how laws were passed and executed in Russia.

M. KRASSIN said they had no parliamentary system, but they had their own system of Soviets. In the first instance, Soviets were elected by the labouring population of the towns and villages. These local Soviets chose representatives for the election of the All-Russian Soviet Congress. This body in turn elected an All-Russian Central Executive Committee, which might be said to correspond to the Parliament of Western countries which controlled the legislation, and consists of 200 to 300 members. This body elected the Council of People's Commissaries, which correspond to the Cabinets of the Western nations. The All-Russian Central Executive Committee held a meeting about every two months, and the commissaries were responsible for presenting their legislation to the executive. Thus the legislation was carried out by the People's Commissaries and partly by the All-Russian Central Executive Committee. Moreover, all the legislation had to be confirmed by the Central Executive Committee and afterwards by the All-Russian Soviet Congress.

M. CHICHERIN said that the All-Russian Congress controlled what was done between its meetings, and the Council of Commissaries had to bring their decrees before the Central Executive Committee.

SIGNOR SCHANZER asked whether, when these laws were confirmed, they had a permanent existence, or did they only endure until the next meeting of the All-Russian Soviet Council.

M. KRASSIN said they had a permanent existence once they were passed.

M. CHICHERIN said they had established codes of law.

M. BARTHOUS observed that M. Krassin had spoken of the enactment of law. In France they had an official Gazette; what had they to correspond to this in Russia?

M. KRASSIN said that the All-Russian Executive Committee published its decrees in the form of books somewhat similar to the memorandum[a] and white papers of the British Government.

M. CHICHERIN said the People's Commissary of Justice published a collection of the laws and regulations.

MR. LLOYD GEORGE said it appeared to be a very simple system from the point of view of the executive; it was really a system of indirect election.

At this point, Mr. Lloyd George, who had left the room during the interpretation of M. Krassin's long speech, said that he was afraid the 'Little Soviet' of experts, which had been meeting in the garden, had not yet been able to issue a decree, and was coming back to congress without reaching an agreement. He was afraid that there was a fundamental difference to be surmounted. If that could not be got over it was no use proceeding at all. He understood that M. Litvinoff wanted to group the whole of the Russian indebtedness into one sum and to set out against that

their counter-claims. He was afraid that the British delegation could not possibly agree to this. It was essential that private debts should be separate from public debts. He suggested that the Russian representatives should meet alone, and, after consultation together, let the representatives of the Western nations know whether they were prepared to discuss or accept this principle, which was the only possible basis on which agreement could be reached, namely, the keeping separate of public and private debts. If they could do this, M. Litvinoff and his associates might make another attempt to reach a formula. The first step, however, was for the Russian delegates to confer.

M. BARTHOU said that in order to save time he would like to say at once that he thought Mr. Lloyd George was right, because the system proposed by M. Litvinoff was opposed to the Cannes principles which the Russian Government had accepted. For this reason he supported Mr. Lloyd George.

SIGNOR SCHANZER said he agreed.

M. JASPAR also agreed.

M. LITVINOFF said the proposal he had made to Sir Sydney Chapman was not precisely what Mr. Lloyd George had said. He had proposed that the Genoa Conference should not separate without accomplishing something, but should try and reach agreement on the points where agreement was possible. As to the remainder, they should simply refer it to a committee to examine ways and means.

Sir Sydney Chapman had been prepared to refer the question of inter-Governmental debts. He had asked to refer the question of private debts too, and he had not insisted that all the debts must be considered globally. He only suggested that if they could not agree on this point it should be referred to a commission.

SIGNOR SCHANZER asked if the commission was to be during or after the conference.

M. LITVINOFF said it would meet during the conference, but might continue after if it had not completed its work.

M. BARTHOU said he thought that M. Litvinoff had used words which required an immediate explanation from him. From the point of view of the French delegation, no permanent body could be set up at Genoa. It was necessary for the present conference to meet, and it should continue sitting until it had reached results; but he could not accept that any conference should sit permanently after the close of the Genoa Conference. This would be contrary to the Cannes resolutions. The possibility of a break-off had been spoken of. He hoped this would not be necessary. When M. Chicherin had asked for a delay he had immediately seconded his proposal. The French delegation said, therefore, that the report of the experts should be studied by the present meeting. If this was not practicable, why did not the Russians bring forward their own proposals? It must certainly be the case that they had brought proposals with them, and these might be discussed; but to reply to definite proposals by generalities was hopeless. They were all there as business men; they had no personal pride, and they ought to sit round the table until they had found a basis for agreement.

MR. LLOYD GEORGE said that certain commissions had already been recommended in the experts' report, and probably certain questions would have to be referred to them, but no commission could act without general instructions, and these instructions must be issued to the members by the Governments, including the Russian Government. Certain instructions would have to be given to enable them to work out details. First, however, the principles must be settled. It was impossible to mix up public and private debts. Traders would not do business if they thought that their claims against the Russian Government would be mixed up with the claims of Governments. They must have some system by which their debts would be paid by whoever was responsible for them, viz., the Russian Government. To say that an individual who is owed money by the Russian Government must pay for the damage done by Wrangel, Denikin and the rest was impossible. They must lay down the principle that the two classes of debt should be separate. If M. Chicherin would like to talk privately with M. Litvinoff, he and his colleagues would come back when they were ready.

M. BARTHOU said that nothing would be gained by the present procedure, which he would observe was bad diplomacy. They had had quite a pleasant day and had got to know one another, but were not making progress. In fact, they were playing hide-and-seek. It was essential to come to some understanding.

M. CHICHERIN demurred to the idea that they were playing hide-and-seek.

M. BARTHOU said he was not charging them with this, but, with frankness not usual in diplomacy, he had spoken what he felt.

M. CHICHERIN, referring to the memorandum of experts, said that he had been asked to put forward a counter-scheme. They had not done this yet because they had been awaiting the Allies' proposals. They had wished to know first what the Western Governments proposed and what was the point of view of the different delegations. He was not opposed to putting forward a scheme of counter-proposals, but this would need time. It had taken him two days to study the report of the experts. At present, certain proposals had just been laid down by the Western Governments. He had to study them, but at first he had to put some questions. He was told, for instance, that Government and private debts had to be separated. Was it a question of procedure? Or would it prejudice the final position? The Russian delegation could agree to consider each category of debts under a separate heading. Was this the meaning of the proposal?

SIGNOR SCHANZER said that he would state the reasons why it was not possible to set up a commission. It could not be an experts' commission because this was essentially a political question. He asked those present to recall what had led up to the present meeting. The assembly had been asked if it would accept the Cannes resolutions.<sup>12</sup> M. Chicherin had accepted, but had reserved the right to put forward amendments or additions. After that the first commission had been appointed and this commission had set up a sub-committee.<sup>13</sup> The present body, which was quite informal, had no right to

<sup>12</sup> See No. 67.

<sup>13</sup> See No. 68.

appoint a fresh commission to do the work for which the sub-commission had been appointed. It had no mandate either from the assembly or from the First Commission or from the sub-committee. He had no objection to hearing the counter-proposals of the Russians. It appeared to him to be a matter of getting to know whether certain principles laid down at Cannes were really in question or not. They could not continue playing hide-and-seek, as M. Barthou had put it. They could not go on unless they knew that the Russian delegation accepted certain principles based on the Cannes resolutions. They wanted to know that the Russian delegation would accept responsibility for pre-war debts, if it was responsible for losses by foreign citizens due to its own action. They also wanted to know what counter-claims it made itself, and, last of all, what was the manner in which the return of confiscated property should be regulated. It was first necessary to reach an understanding on these questions of principle.

M. BARTHOUS said that he entirely agreed in what Signor Schanzer had said, but he would like to add one word. M. Chicherin said that he had only had knowledge of the experts' report for two days. He had, however, known the Cannes resolutions for two months. What, he asked, had the experts done except to make recommendations as to the carrying out in practice of the Cannes resolutions? What he wanted to know was whether M. Chicherin would accept.

MR. LLOYD GEORGE said it was desirable that the Russian delegates should decide among themselves whether they could give instructions to M. Litvinoff to treat public and private debts on a different footing. Otherwise there was no use in proceeding with the discussion. Perhaps the best plan would be for him and his colleagues to retire and leave them to discuss it.

M. CHICHERIN said that Signor Schanzer's remarks were not so clear as they seemed at first sight. In order to avoid ambiguity, he would like M. Litvinoff to speak.

M. BARTHOUS said that Signor Schanzer had been perfectly clear, and he would not presume to be able to state the matter more clearly than Signor Schanzer had done. Why had this meeting at Genoa been arranged? Because it had arisen out of the Cannes meeting. It had been called to put into effect certain principles laid down at Cannes. The Russian delegation had known the particulars of the Cannes resolutions months ago, and in the assembly they had stated that they accepted them. As they accepted these principles, were they now willing to continue? They had had the conclusions of the conference of experts in London for two days, and they had been granted additional time to consider them. The proposals they had made were in contradiction with the principles laid down under Section 1, paragraph 3, of the Cannes resolutions. In other words, they refused to accept the Cannes resolutions. There was no difference whatever between any of the delegations in regard to this.

MR. LLOYD GEORGE said that the small Drafting Committee had broken down on one definite point. Until this difficulty was removed they could not

get on with the discussion. It was necessary to proceed with that, and then they could deal with other questions.

M. LITVINOFF said that the Russian delegation had accepted the Cannes resolutions in principle, and did not intend to go back upon them. M. Chicherin had said that some of the points in the Cannes resolutions were susceptible of different interpretations, and he had added that they would put forward certain amendments. That was what they proposed to do. He observed that the London experts had not stuck to the Cannes resolutions, and they thought that it would be desirable, from the point of view of all parties, and from that of the success of the Genoa Conference, to delegate some of these points to a commission. They found some of the experts' work so faulty that they proposed that fresh experts, including Russians, should be charged with the task of studying them further. It would be a better procedure than studying them in the conference itself. The whole matter was merely a question of procedure. The commission which he had in mind could be nominated by the Sub-Committee of the First Commission. His proposal was that these matters should be discussed in the sub-committee, and agreement should be reached as far as possible, but there might be some questions which would take a longer time than the Genoa Conference could give. Of course, if it could be settled at Genoa, so much the better. They had made their proposals, and they saw no object in any further private conference.

MR. LLOYD GEORGE said there was a fundamental question which no commission could settle. If this question was not settled, the conference would break up. They must try and agree on this question. M. Alphand, Sir Sydney Chapman and M. Litvinoff had met to try and agree on a formula, but if they were not agreed on the principle no formula could be reached. This was the test of whether they were sufficiently agreed on fundamental principles to go ahead. Otherwise the conference would break down so far as this part of its work was concerned. It might pursue its labours on financial and economic questions, but this part of the work would have to come to an end. If M. Litvinoff thought he could agree on the fundamental principles they could press on. He therefore proposed that the sub-committee should meet again and see if they could agree on some formula, or, if they could not do this, that they should define exactly what the issue was. If there was no issue, they should formulate a definite proposal. He therefore strongly urged that the sub-committee should again attempt to reach a formula. If not, let them state where the difficulty was.

(The conference adjourned at 6 P.M. and the sub-committee met to draw up a formula.)

During the adjournment a short informal meeting took place between the representatives of Belgium, France, Great Britain and Italy to consider the further procedure.

The conference reassembled at 7 P.M. The personnel was as before, except that the Marquis Visconti Venosta was now present.



The conference had before them the attached formula presented by the sub-committee (appendix).<sup>14</sup>

MR. LLOYD GEORGE said he was very anxious that the conference should not break down on any question of form. He and his friends had therefore agreed to propose a meeting of an expert committee immediately to see if they could agree with the Russian delegation on the schedule referred to in paragraph 1. He proposed that the experts should meet alone on the following morning. There should be two for each delegation, and they should meet at the Villa d'Albertis at 11 A.M.<sup>15</sup> to try and agree on the schedule. If they could agree in the morning the representatives of delegations should resume their discussions in the afternoon. They would all hold themselves in readiness to come to the Villa d'Albertis at 3.30 if the principle was settled.

M. LITVINOFF said he was not clear what was meant by the 'schedule'. The Russian delegation imagined that the expert committee would consider the claims and try and reach some agreement. It was obvious, however, that they could not take a decision without the delegates.

MR. LLOYD GEORGE agreed that they could only make a recommendation; the decision must be taken by the delegates themselves. They could not delegate to experts the final decision, but they could examine their recommendations and hear from them an explanation of the grounds on which they were made.

M. LITVINOFF said that there were political aspects.

MR. LLOYD GEORGE observed that the Russian delegates could appoint political experts if they wished. He himself would ask Sir Philip Lloyd-Greame to represent him. He was both a delegate and a Minister, but he was also an expert. He asked if the Russian delegation could not select two representatives to meet him.

M. CHICHERIN agreed to send two representatives on the understanding that they were not limited as to whom they sent.

<sup>14</sup> Not printed. The formula as revised by the legal experts of the Inviting Powers on April 15 ran as follows: 'The following liabilities are to be independently accepted and dealt with, but it is understood that the first clause is not agreed to by Russia until the schedule is completed and agreed upon:—

'1. All the Governments recognise their liability to meet the financial obligations of themselves and of their predecessors to foreign nationals. Payments on this account by Russia cannot begin for some time to come on account of the state of Russia, and it is suggested that the time when payments should begin should be referred to a mixed commission.

'2. The Russian Government, on the one hand, and the other Governments, on the other hand, agree that the sum stated in the attached schedule shall cover all existing financial liabilities of the Russian Government upon each of the other Governments and of each of the other Governments upon the Russian Government, and shall extinguish all claims other than those comprised in the following articles.

'Nevertheless, this clause shall not apply to claims on behalf of the nationals of other Powers on account of the action in Russia of the Russian Government, or to claims on behalf of Russian nationals on account of the action in other countries of the Governments of those countries.'

<sup>15</sup> See No. 73, n. 2, below.

MR. LLOYD GEORGE said he had no desire to interfere in the selection of representatives. This was a matter entirely for the Russian delegation.

M. LITVINOFF said he would require in addition some financial experts.

MR. LLOYD GEORGE agreed, and said that Sir Philip Lloyd-Greame would be accompanied by experts.

M. LITVINOFF asked if in the meantime the meeting of the Sub-Committee of the First Commission would be postponed.

MR. LLOYD GEORGE agreed, and said this was vital. If they broke down, however, there would be nothing further to examine. He observed that it would be very important not to give the resolutions out to the press. They might have to have many formulæ before final agreement was reached.

M. BARTHOU suggested that an agreement should be reached as to what should be said to the press. First, it must be understood that they all agreed not to give out to the press the resolutions. If they were to be discussed at this stage by journalists there would be no end of difficulty.

MR. LLOYD GEORGE said he had asked Sir Edward Grigg to prepare a communiqué. He recalled that at the Irish Conference<sup>16</sup> they had had to prepare a communiqué every day and the Irish representatives had never given the information away.

The conference then agreed to the following communiqué, based on a draft by M. Barthou:—

‘Representatives of the British, French, Italian and Belgian delegations met under the presidency of Mr. Lloyd George at a semi-official meeting to examine, with the Russian delegates, the consequences of the report of the London experts.

‘Two conversations were devoted to this technical examination which will be continued to-morrow with the assistance of experts nominated by each delegation.’

*Hotel Miramare, Genoa, April 14, 1922.*

<sup>16</sup> Held in London from October 11 to December 6, 1921.

### No. 73

I.C.P. 238c] *British Secretary's Notes of an Informal Meeting held at the Villa d'Albertis, Genoa, on Saturday, April 15, 1922, at 3.35 p.m.*

PRESENT: *Belgium*: M. Theunis, M. Jaspar; EXPERTS: M. Cattier, M. Galopin, M. Wittmeur.

*British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P., Sir Philip Lloyd-Greame, K.B.E., M.C., M.P.; EXPERTS: Sir Sydney Chapman, Mr. Peters,<sup>1</sup> Sir Edward Grigg, K.C.V.O., C.M.G.; SECRETARIES: Sir Maurice Hankey, G.C.B., Mr. Maxse.  
*France*: M. Barthou, M. Seydoux; EXPERTS: M. Chasles, M. Alphand, M. de Felcourt; SECRETARIES: M. Massigli, M. L'Amirault.

<sup>1</sup> Mr. W. Peters, Assistant Agent of the British Commercial Mission to Russia in 1921.

*Italy:* Signor Schanzer; EXPERTS: Dr. Giannini, Signor Jung;  
 SECRETARIES: The Marquis Visconti Venosta.  
 INTERPRETER: M. Camerlynck.

(Sir Philip Lloyd-Greame handed round the table which is reproduced in Appendix I.)

SIR PHILIP LLOYD-GREAME said that at the meeting of experts that morning<sup>2</sup> they had begun by making a statement to the Russians of the total of Russian indebtedness to the Allies, which was as follows:—

To Great Britain	...	...	...	£607,000,000
To France	...	...	...	5,789,000,000 fr.
To Italy	...	...	...	53,000,000 fr. and 182,000,000 lire.

Then the Russians had been asked to make a statement. M. Litvinoff had piled up an enormous list of claims, direct and indirect. The specific claims amounted to 12 or 13 milliards of gold roubles. He said that he would be prepared to state other claims of which he had not the details with him, which would bring the total up to 35 milliards of gold roubles. In addition, he had put in claims for such matters as pogroms and exports, the occupation of Bessarabia, loss of revenue, and odd Russian property abroad, which would bring the total of losses to one-third of the total wealth of Russia, namely, 50 milliards of gold roubles. He had said that he was not asking for roubles but for justice. Incidentally he said that whereas his claim had been based on the damages wrought by Kolchak, Denikin, &c., the great war had cost 20 milliards of gold roubles. The experts of the Western Powers had then withdrawn and had examined these figures. On returning, they had stated that they could not accept M. Litvinoff's figures, much less could they admit that they were responsible for the Russian losses. They had added that they were there to arrive at a figure to which the war debt could be written off in order to make allowance for claims and counter-claims. They were there as an expert committee to reach conclusions on this specific basis which had been laid down for them. The Russians had replied that even if the Western Powers had offered to wipe out their war debt altogether it would have left a large balance in favour of the Russian claims, which, therefore, would not be satisfied. The Allied experts had then pointed out that they had got no further forward than when they adjourned on the previous evening.

M. SEYDOUX said that the Russians had virtually refused to accept the principle of writing down the war debts against the counter-claims.

MR. LLOYD GEORGE said that it was necessary to bring the matter to a definite point. He regarded this as a real test as to whether peace could be made on conditions which the Western Powers could accept. They had reached the point when this was necessary. He was all in favour of exercising every patience in negotiation, but there was no object in wasting time unless they could find some chance of reaching a final agreement which would be

<sup>2</sup> The British Secretary's Notes of the informal meeting of experts at 11.30 a.m. on April 15 (I.C.P. 238G) are not here printed.

acceptable to their respective Parliaments. At present he could not tell whether the Russian attitude was bluff or business. This, however, must be ascertained. He was in favour, therefore, of allowing them every facility for consideration, and, if necessary, an adjournment to permit them to telegraph to Moscow; but, subject to this, he would put to them the following four propositions:—

1. Whatever allowance was made in regard to the devastation of Russia, this must not impinge on the rights of private holders or debts due for loans and advances made to Russia.
2. That there could be no allowance or set-off in respect of the claims of the Russian Government for compensation against the rights of private persons to the restoration of their property or compensation for damage.
3. The creditor Allied Governments could acknowledge no liability for compensation in respect of the claims advanced by Russia.
4. Having regard to the damaged condition of Russia, they would take into account the devastation of the country, which was worse than that of any other country, and in which the creditor Allied Governments had had some war part, but this must be entirely taken from the war debt in respect of the Government loans to Russia.

These were the principles, but he would ask Sir Philip Lloyd-Greame to draft them in a concise form.

Mr. Lloyd George, continuing, said that Great Britain had advanced five times as much money to Allies as the next Power, and was therefore in a position to put forward this proposal. How and when the allowance in respect of devastation was to be adjudicated would not be settled until and unless the Russians accepted the principle. If they could not accept, or were to demand amounts in compensation which bore no relation to the Allied war debts, then the answer would be that it was impossible to come to terms with Russia, and the other subjects of the conference would alone be proceeded with.

M. BARTHOU asked for the figures for Great Britain and Italy in francs.

SIGNOR SCHANZER said that for Great Britain they were 15 milliards of gold francs, or 30 milliards of francs at the present rate of exchange; for Italy the figure was 15,000,000 francs.

M. THEUNIS observed that the total alleged Russian claims were about six times the total claims of the Allies.

M. SEYDOUX said he was quite in agreement with Mr. Lloyd George, but at this stage it would be better not to mention figures or percentages. What was required was to get the acceptance of the principle in respect of war debt. There could be no partial arrangement with Russia, and the percentage would depend on the acceptance of certain principles. He was quite in agreement with Mr. Lloyd George that this was an excellent test to ascertain where Russia stood.

SIGNOR SCHANZER said that it was audacious for him to criticise in any way the statement of the British Prime Minister. He was afraid, however, that they were in exactly the same position as on the previous day, and he appre-

hended that the Russians would not accept. The Allied terms were a little hard. He did not mean to place himself in contradiction to Mr. Lloyd George; he only wanted to point out that the position was the same as on the previous day. He wondered if it would not be possible to make some little further concession.

MR. LLOYD GEORGE asked what sort of concessions Signor Schanzer contemplated. Any concessions would have to be at the expense of their own nationals. There were only two ways that he could see of making concessions: first, that everyone should abate something of his debt, and, second, that payment should be made in cash. The second was impossible, so he could therefore see no alternative to the first.

SIGNOR SCHANZER said that he was in agreement that concessions should not be made in regard to private debts, and only for war debts in partial compensation allowed for counter-claims. He agreed that there could be no concessions in regard to private obligations.

MR. LLOYD GEORGE said that was exactly what was proposed.

SIGNOR SCHANZER said the question was as to what percentage could be allowed in reduction of war debt.

MR. LLOYD GEORGE said that he was prepared to insist on that. There was only one thing that could be done. He always thought that the experts had been a little hard in the matter of interest, and some arrangement might be made for easing the situation in this respect.

M. THEUNIS thought that Russia might be able to fund the interest.

MR. LLOYD GEORGE said that the creditor Allied Powers were not themselves funding their interest. He would be ashamed to ask it of British debtors, and if the Americans demanded this he would resist it. After all, whether it was the fault of the war or of the Bolsheviki, Russia remained Russia, and that was the real cause of the present troubles. There were only different degrees of incapacity between the present régime and the old régime. It might be possible to say that the creditor Allied nations were willing to consider the postponement of interest. That was the only other respect in which any concession could possibly be made.

M. BARTHOU said he would reply that Signor Schanzer was in a special situation in this matter. He proposed to make concessions which would have to be paid for by the Allies. When he had been asked for the figures of the Italian debt they had been very small, but Mr. Lloyd George had shown that the figure for Great Britain was very large, and the French figure was not inconsiderable. So, if sacrifices were to be made, it was not Italy who would have to pay for them.

SIGNOR SCHANZER said he regretted his remark should be taken in this way.

M. BARTHOU said he had only made it in a spirit of perfect good humour. Signor Schanzer had suggested that there had been no concessions. He had been asked to talk with the Bolsheviki, and he had rallied to Mr. Lloyd George's proposal to meet the Bolsheviki in this room on the previous day. Was this no concession? There were certainly many people who did not appreciate his action in making it. Again, he had not raised the question of the Treaty of Brest-Litovsk, as he wished the negotiations to proceed quietly.

MR. LLOYD GEORGE, during the translation, interpolated that he was going to bring this question up this afternoon.

M. BARTHOU, continuing, said that the Russians had caused the continuation of the war by signing the Treaty of Brest-Litovsk, and had inflicted incalculable loss by these means. It had been a great concession not to bring it up. He was willing to consider concessions in the matter of interest. The French delegation had adopted a very conciliatory attitude. On the general question, he agreed with Mr. Lloyd George.

M. THEUNIS said he also agreed.

SIGNOR SCHANZER replied that if he had made a proposal it had been in the general interest and to save a situation of fundamental importance to the conference which his Government had called. If any nation had suffered from the Treaty of Brest-Litovsk it was Italy, which, as a result, had been faced with a most serious military situation. He had only suggested that counter-claims against the Allies should be debited against the war debts of the Allies, and in the present very delicate situation he felt it his duty to draw attention to the Russian position. He had formed the impression, from what the experts told him, that the Russians could with the utmost difficulty pay any war debts. There was not much difference really between him and M. Barthou and Mr. Lloyd George. He could not, however, entertain any delusion in regard to the prospect of the ultimate payment of war debts. The reason given by the Russians was that, after all, war debts were a matter of a subvention to them in a common cause in which all resources were pooled. To take this line might assist the Allies in their relations, for example, with the United States of America. These were the reasons for his remarks. To get results it was necessary to admit that a considerable amount of compensation to Russia should be debited from the Allied war debts.

M. BARTHOU said he had not reproached Signor Schanzer for his intervention, but he was afraid the Russians would have the laugh of the Allies.

M. SEYDOUX said that he understood that only the question of principle would be raised, and that there would be no reference to percentages, &c., in dealing with the Russians. This would be reserved for the Allies to decide later.

MR. LLOYD GEORGE suggested that if there was a prospect of breaking with the Russians it was necessary to go as far to meet them as was possible. He felt very likely there would be a break. They would never get either the interest or the war debt, so he thought they could afford to be liberal in the way the case was presented. The case must be presented on the basis that there might be a break.

M. BARTHOU agreed.

M. SEYDOUX said he agreed as regards the presentation of the case.

(The arrival of the Russian delegation was then reported and the conference adjourned. During the adjournment the four points made by Mr. Lloyd George were redrafted in the form attached as Appendix II).<sup>3</sup>

*Hotel Miramare, Genoa, April 16, 1922*

<sup>3</sup> Not here reproduced; the document is printed as an appendix to No. 74, below.

# APPENDIX I TO No. 73

## *Damages caused to Russia by Allied Governments directly or indirectly.*

(Cannot give full claims.)

	Gold roubles.
All expenditure of Russian Government combating intervention	2,445,600,000
Exchange at time of spending .. .. .	..
Damage to Russian industry by destruction of works or exportation of produce by occupying armies .. .. .	1,580,540,000
Destruction of foodstuffs. Feeding of Red army, 1920 ..	1,819,750,000
Damage to railway transport .. .. .	1,074,000,000
Damage to waterways .. .. .	29,095,000
Damage caused by Allies in Causacus and oil exported ..	273,000,000
Damage by Kolchak in Siberia, farms, live stock, &c., and exports .. .. .	542,036,000
Destruction of Yaroslaf, July 1918 .. .. .	124,016,000
Damages due to intervention, North Russia, including exports	220,062,000
Exports and confiscation, Vladivostok .. .. .	800,000,000
Goods ordered by Russia during the war and paid for, but prevented reaching Russia because of blockade .. ..	600,000,000
Loss on gold reserve because of restrictions on power to purchase gold abroad .. .. .	16,000,000
Ships confiscated .. .. .	..
Pensions of sufferers by intervention .. .. .	1,813,000,000
Damage to farmers and peasants .. .. .	1,200,000,000
And other claims .. .. .	..
	<hr/>
	35,000,000,000
Pogroms and exports .. .. .	..
Occupation of Bessarabia and loss of revenue .. ..	..
Odd Russian property abroad .. .. .	..
Estimated at one-third total wealth of Russia .. ..	50,000,000,000

## No. 74

I.C.P. 238D] *British Secretary's Notes of a Meeting between the Representatives of the British, French, Italian, Belgian and Russian Delegations, held at the Villa d'Albertis, Genoa, on Saturday, April 15, 1922, at 4.30 p.m.*

**PRESENT:** *Belgium:* M. Theunis, M. Jaspar; **EXPERTS:** M. Cattier, M. Galopin, M. Wittmeur.

*British Empire:* The Rt. Hon. D. Lloyd George, O.M., M.P., Sir Philip Lloyd-Greame, K.B.E., M.C., M.P.; **EXPERTS:** Sir Sydney Chapman, Mr. Peters, Sir Edward Grigg, K.C.V.O., C.M.G.; **SECRETARIES:** Sir Maurice Hankey, G.C.B., Mr. Maxse.

*France:* M. Barthou, M. Seydoux; **EXPERTS:** M. Chasles, M. Alphand; **SECRETARIES:** M. Massigli, M. L'Amirault, M. de Felcourt.

*Italy*: Signor Schanzer; EXPERTS: Signor Giannini, Signor Jung;  
SECRETARY: The Marquis Visconti Venosta.  
*Russia*: M. Chicherin, M. Litvinoff, M. Krassin, M. Lubinoff.<sup>1</sup>  
INTERPRETER: M. Camerlynck.

*The Question of Russian Debts.*

1. M. CHICHERIN apologised for his late arrival, which was due to long delays on the road at level crossings.

MR. LLOYD GEORGE said that the experts had had a meeting that morning<sup>2</sup> with a view to making a joint recommendation which would enable the conference to proceed with the remainder of the negotiations. The results were far from encouraging. M. Litvinoff had produced startling figures. He must do him the justice to say that they were not in the nature of demands. They reminded him of his recent Irish negotiations for a financial settlement. The British had made a modest demand for £18,000,000 a year. The Irish counter-claim, which was based on grounds of justice, was for £3,500,000,000. They had included in this all the injustices to Ireland for centuries, with counter-claims. M. Litvinoff had to-day produced a document<sup>3</sup> which totalled up to 50 milliards of gold roubles, or some such figure, which was startling beyond conception. If Russia really meant that, he would be surprised that they had thought it worth while to come to Genoa to put it forward. First of all, the creditor Allied Powers would recognise no claim which was not based on justice, equity and jurisprudence for damage in Russia. The British nation had had considerable experience of this kind of thing. They had had a revolution in their own country, and they had seen a revolution in France. In their country it had been argued out by force of arms whether the King was to be dominant or the republic. The French had helped the King and had sent him arms and money, and had sustained the struggle in a material and moral sense. The result was that this revolution had been prolonged for years, and it would have collapsed long before but for the French support. Nevertheless, no bill had ever been sent in to France for payment of compensation. The same thing had happened in the case of the French Revolution, when the struggle had been between the monarchy and the Revolution. The British Government had then returned the compliment and supported the old régime. The French had then been involved in a war which lasted for over twenty years. He had, however, never heard of a suggestion of the bill being presented to England, Austria, Prussia and Russia, who had all intervened. It happened with every revolution that it had to be fought out. What had happened in the present case was that some of the Allied Governments had assisted the party in Russia which had supported them against Germany. That was the only reason. They did not mind whether it was Imperialism, Kerensky-ism or Bolshevism; they had only given support because one party had supported them against Germany, and the other had made a separate peace.

<sup>1</sup> Professor of Financial Science and Legislation at Moscow.

<sup>2</sup> See No. 73, n. 2.

<sup>3</sup> No. 73, Appendix I.



This was a thing which happened practically in every revolution, but he had never before heard the claim that anyone was liable thereby for the costs. Russia had had a great revolutionary struggle, and this always cost a great deal. It was a question for the nation making the revolution as to whether it was worth while for the country itself. In France the revolution had proved worth a good deal. The country could not, however, expect to send in the bill to other countries. Mr. Lloyd George then observed that if the matter were put before a court of justice the Western Powers could put in a claim against Russia for breach of contract. He recalled that the struggle had begun on the Russian side over a question of an attack on Slavonic races. The Serbians had been threatened and Russia had intervened as she had done in 1878 to come to the rescue of the Slavs. The French had a Franco-Russian treaty.<sup>4</sup> Germany had offered, if France would stand out, not to attack her. France could have done what Russia did afterwards, and broken her word; she might have dishonoured her obligation and regarded her treaty as a 'scrap of paper'. The French, however, had said 'No'. His point was, however, that the quarrel had begun in the East and not in the West. Then a pact had been signed between the various Powers including Great Britain, France and Belgium [*sic*] not to make a separate peace.<sup>5</sup> Thereby they had incurred an enormous obligation. The British debt amounted to over £8,000,000,000 sterling; the French debt was gigantic, and so was the Italian. Then, in the third year of the war, another treaty had been signed at Brest-Litovsk which had been a breach of contract.<sup>6</sup> This had resulted in the war being prolonged, and it had nearly led to a very great disaster. The German troops had been withdrawn from the Russian front with the result that they broke the British and French lines, and the battle had nearly ended in a disaster. This was the direct result of the withdrawal of Russia from the war. If the Russians put in a claim in regard to assistance to the counter-revolutions the Allied Powers would reply with a claim for breach of contract. He believed that in any court of law they could enforce their claim. He had not wished to raise this question, and only did it now to show that such claims were not one-sided as the Russians seemed to imagine. All the nations engaged in the war had sustained huge losses from one cause or another. M. Chicherin, he understood, claimed that the British Government had obtained great assets from the war. What are they? Did M. Chicherin want to have Mesopotamia? Was there anything he would like to have in order to wipe out his claim? As a matter of fact they were not assets but liabilities, and all that the British nation had secured was a debt of over £8,000,000,000.

He only said this to show that he could not accept liability for losses in

<sup>4</sup> Of 1891-4.

<sup>5</sup> The reference is presumably to the Pact of London of November 30, 1915, signed by representatives of Great Britain, France, Italy, Japan and Russia (see *B.F.S.P.*, vol. 109, pp. 850-1). Belgium, in view of her theoretical neutrality, did not associate herself with this agreement and never made any similar agreement with the Allies.

<sup>6</sup> See No. 34, n. 26. For negotiations leading to the Peace Treaty of Brest-Litovsk between Russia and Germany, Austria-Hungary, Bulgaria and Turkey of March 3, 1918, see J. W. Wheeler-Bennett, *Brest-Litovsk: The Forgotten Peace, March 1918* (London, 1938).

respect of internal conflict in which, undoubtedly, the British Government had taken some part. They were, however, quite willing to take into account the fact that Russia was in a bad condition economically, due partly to the great war and partly to other causes which he would not enter into as he did not wish to raise controversial questions. Nevertheless, he admitted that, for one cause or another, Russia was in a bad way economically. He was ready to take into account this fact when the debts which Russia had incurred to the Allies were considered. This money had been advanced on the honour and good faith of Russia. It had been good money advanced in many cases out of the savings of a lifetime by poor people, peasants and the like. They had lent their money to Russia which they had regarded as a great country which would not break faith with a poor peasant who believed in Russian honour. However, he and his friends were quite willing to take into account the devastation in Russia when they came to consider the national debts. They had no right, however, to give away money which had been advanced directly to Russia by people in different parts of the world. It had been a transaction not from the Governments to Russia, but from individuals, peasants and others. The Russians, through their agents, had distributed prospectuses, and had said that if they were lent this money they would pay such and such interest. It was a contract between a great nation and people who, in many cases, were very poor. When they came to consider the case of money advanced by Governments then they had to represent their Governments. They were ready to take these matters into account when they considered these debts.

Mr. Lloyd George continued that he did not think it was any use entering into negotiations on the other articles of the report of the Allied experts until the Russian delegation had entered into an agreement on the subject of Russian debts. To do so would be to waste the time of both parties and to create the impression that there was a possibility of an arrangement when this might not be the case. He would, if M. Chicherin wished, give the Russians a day or two to consider the question and to communicate with their Government if they thought it necessary. He must state, however, that he and his friends regarded this as a test of whether it was possible to proceed at all with the Russian question. If not, they would have to report to the conference that they had failed to reach an agreement, and it would be idle to pursue the Russian question further.

Mr. Lloyd George then read the propositions contained in the appendix which were later handed to M. Chicherin.

Referring to paragraph 2, Mr. Lloyd George then explained the meaning of this proposition. He pointed out that the Governments had no right to make any deduction from the money which had been advanced by private individuals to the Russian Government. These investments often represented the savings of a lifetime of small peasants and people in various parts of the world, and the Governments could not make any reduction in their rights.

What, however, they could do was to make a reduction in their national claims on Russia, and they were ready to do this in three ways:—

- (1) By actually writing down the amount which Russia owed them.
- (2) By remitting part of the arrears of interest which were due from Russia.
- (3) By postponing in part future payments of interest which became due from Russia.

M. LITVINOFF interjected a request as to which claims this interest referred to.

MR. LLOYD GEORGE informed him that the Powers represented were prepared to consider the remission of interest on private claims as well as on national claims.

As stated in the document, however, it was vital that these advances should not affect the claims of private individuals on Russia in any way.

M. CHICHERIN said that he was under the impression that it had not been considered desirable in this small assembly to develop arguments and make speeches which were better left for the committee when the question was thrashed out there. Seeing, however, that Mr. Lloyd George had developed his views on questions of principle, it was impossible for him not to touch upon them, though he would do it as shortly as possible. Mr. Lloyd George had spoken first very well of the Russian claims for damages which he did not consider justified. The Russian delegation could prove that the counter-revolutionary movement had been insignificant and crushed out, and had lost all importance in Russia until the moment when it was supported from outside. He remembered how on the 4th June, 1918, the representatives of the Entente Powers had come and stated that the Czechoslovak army was to be regarded as an Entente army under the protection and responsibility of the Allied Governments, who thenceforward was [*sic*] responsible for the Czechoslovak army.<sup>7</sup> That is to say, they took responsibility for all that had followed as the result. The Russian Government possessed the treaty which had been concluded between Admiral Kolchak and Great Britain and France<sup>8</sup> whereby Admiral Kolchak had come under the direction of the Entente, and under their supervision, rule and responsibility. The Russian Government also had in their possession the official act by which General Denikin acknowledged that he was under the orders of Admiral Kolchak, that is to say, that he was under the Entente Government. Enormous damages had been involved in these counter-revolutions, equivalent to one-third of the national wealth of Russia, damages due to invasion and intervention, damages for which the Allied Governments were wholly responsible. He observed that there was no resemblance in the Russian revolution to the case of Charles I of England, who had already possessed an army. France had only given support to an army which was already in existence. In Russia the revolutionary armies had been wholly created. If they were to

<sup>7</sup> Cf. Richard H. Ullman, *Intervention and the War* (Princeton, 1961), p. 189, where it is stated that the Allied Representatives informed M. Chicherin that any attempt to disarm the Czechs would be regarded as hostile to the Allies.

<sup>8</sup> M. Chicherin was probably referring to a Note of May 26, 1919 to Admiral Kolchak from the Supreme Council (see Vol. III, Nos. 223-4 and *F.R.U.S.*, 1919, vol. vi, pp. 73-5).

enter into an examination of the revolutionary wars of France they would make a very interesting historical study, but it was not relevant to the present case because the French revolution had been followed by other events, creation of new republics, wars, and other extraneous circumstances, which had brought in all kinds of complications. But compensation for damage inflicted on the part of Governments was a principle which had already been recognised in the case of the 'Alabama'.<sup>9</sup> Mr. Lloyd George had raised a question of the responsibility of his government proceeding from the responsibility of Russia for the great war. When he had been in England,<sup>10</sup> he had always heard it said that Germany was responsible. Now Mr. Lloyd George said it was Russia.

MR. LLOYD GEORGE remarked that he had said that the war had arisen out of a Russian quarrel. He had never said that Russia was guilty.

M. CHICHERIN continued that Mr. Lloyd George at any rate claimed that the reason for the war had arisen on the Russian side. This had been the subject of many scientific revolutionary pamphlets and on this subject he could speak at great length. The movement to which he belonged had issued many books and pamphlets on the subject with the object of proving that fundamentally the war had arisen out of a quarrel between England and Germany. To raise this would be to open up all these controversies again. He could also say much on France before the war, but this would provoke M. Barthou and although it was always a pleasure to listen to a speech by a member of the French Cabinet, it would only serve to protract the discussion. In regard to the Treaty of Brest-Litvosk, he could give Mr. Lloyd George a whole host of arguments. The treaty was really the result of the disbanding of the Russian army, and this process had begun before the fall of the Russian Empire. The result was a whole combination of events and causes. Russia had sustained a defeat in the war. On the Russian side they had conducted an unsuccessful operation. He recalled that there had been another unsuccessful operation, namely, the attack on Gallipoli, which had been undertaken with the object of opening the narrow Straits. Hence, if there had been an unsuccessful operation by Russia, there had also been another which was unsuccessful—an operation undertaken by Great Britain. He could give other reasons: for example, the sending of shells to Italy which ought to have been sent to Russia; shells that did not explode: and many other instances that could be examined in detail and which were responsible for the collapse of the Russian army. He would mention in passing, the incident in regard to Mr. Henderson and the Stockholm Conference,<sup>11</sup> after which the Russian Army had lost all understanding of the purposes of the war and had disbanded. He only mentioned these matters to show that these questions were very controversial and the subject of hosts of arguments and pamphlets.

In regard to war debts, what had Russia gained from the war? There had been a distinct agreement by which Constantinople was to be handed

<sup>9</sup> See No. 72, n. 9.

<sup>10</sup> M. Chicherin was interned in England in 1917.

<sup>11</sup> See Mary Agnes Hamilton, *Arthur Henderson* (London, 1938), pp. 120-62.

over to Russia.<sup>12</sup> Constantinople, however, was not even in the hands of the National Government of Turkey, which was the only Government which the Russian Soviet recognised. His Government would be ready to receive Eastern Galicia and to hand it over to the will of the people.

MR. LLOYD GEORGE said this had not been an argument that he had raised; it had been raised by M. Chicherin. He had said that the Allies had obtained profits from the war and should therefore not ask for payment of their debts. He had only been answering M. Chicherin's argument.

M. CHICHERIN said that he thought Mr. Lloyd George had asked what profits the Russians had hoped to obtain which they had not obtained; for example, the integrity of Russia had been guaranteed,<sup>13</sup> but now it had been violated. Thus the whole of the agreements which hung together with the war debts had not, in fact, been kept by the Allies. Hence he thought that the war debts were a matter for the Allies alone, which had made profits out of the war. Russia had sustained greater losses than any other nation. Fifty-four per cent. of the Entente losses had been incurred on the Russian side. The Russian Government had expended 20 milliards of gold roubles for the war, the profits of which were solely on the other side. Therefore, they considered that in the matter of war debts they had counter-claims which far surpassed the figure of the war debts.

In regard to the general principles of their relations with the old Governments, he considered that they had waged and organised a war against Russia which had been accompanied by invasion and intervention. They had tried to crush the new Russia which had arisen out of the revolution and had failed. Thereby they had freed the new Russia from any obligation to the Entente.

He recalled the new principle which had been adopted by the Allies, as shown by article 297 of the Treaty of Versailles, that not only hostile Governments but hostile subjects were responsible and all their property in Allied countries taken away. In our case there were no victors and no vanquished. Hence their principle would be applied by the wiping out of all debts on both sides. Nevertheless, in spite of their principles, they had decided that they would be ready to take upon themselves as a new spontaneous act the articles of the Cannes resolutions on the condition of reciprocity. Mr. Lloyd George had verbally expressed the desire to take into consideration the devastated condition of Russia. He had done well in suggesting this, but in reality his proposals did not meet the needs of the reconstruction of Russia and of Europe. He must therefore approach the proposal from the point of view of opportunity and utility for reconstruction in Russia. It was a question of the greatest importance. He was glad that Mr. Lloyd George

<sup>12</sup> See Vol. IV, pp. 635-8. (For the two sentences which follow the text of the Confidential Print is more explicit. It runs: 'She would be ready to receive Constantinople and to hand it over to the National Government of Turkey, which was the only Turkish Government which the Russian Soviet Government recognised as legal. His Government would be also ready to receive Eastern Galicia and to dispose of it according to the will of the people.')'

<sup>13</sup> No reference is made to such a guarantee in the Foreign Office Memorandum 'The Treaties with Russia', of April 6, 1922 (see No. 61).

recognised the necessity that his delegation should communicate with its Government. What would happen if they could not reach agreement? Mr. Lloyd George had said on the previous day that they could not be in the same position as before. It would blot out Russia from the point of view of trade. It was, however, impossible to blot out Russia. It was not sufficient to close the eyes to blot out Russia out of existence. The result would be that a certain policy which Mr. Lloyd George had tried to carry out would have failed. Between Russia and other countries other methods would grow up. These would not lead to the betterment of Europe, but to serious troubles. Therefore the decision to be taken here was of the greatest moment.

In glancing through the proposals which Mr. Lloyd George had handed to him, there were certain points which he would like Mr. Lloyd George to answer.

Mr. Lloyd George had said that he would be prepared to introduce a moratorium in view of the serious conditions in Russia. Nothing, however, appeared of this in the draft.

MR. LLOYD GEORGE referred M. Chicherin to article 2 of the draft (Appendix). He said he had assumed that if the Russians did not pay interest they would pay capital.

M. CHICHERIN asked if there was any definite limit in regard to the moratorium. He said that the next question was one of returning the factories *in natura*. That was for the Russian delegation one of the most difficult questions. The total sum of money represented by the factories concerned was comparatively not very high, but for them this proposal was an impossibility. They were for the most part absorbed in big concerns, and besides these there were a certain number of separate factories which could not be restored to private ownership owing to the resistance of the workers. He hoped, therefore, that Mr. Lloyd George would not introduce a formula which would present the Russian delegation with an impossibility. Putting these questions in no way presumes acceptance.

MR. LLOYD GEORGE said he was anxious to hear all the questions.

M. LITVINOFF suggested in regard to article 2 of the draft (Appendix) that conditions of payment might be postponed to some later enquiry to reach a decision.

Another point he wished to raise was that some of the private people who were asking for compensation were not so innocent as they would like to be thought. There was a clear connection between Government debts and those of private people who suffered. Naturally there were some people in every country who were opposed to intervention, but there were various groups in France and Great Britain who wanted their debts paid who actually advocated intervention. For example, there was Mr. Leslie Urquhart,<sup>14</sup> who for many years had been an advocate of intervention and had helped Admiral Kolchak. Now he said that he was not responsible and wanted his money back. He had come to the Russian Government and tried to make terms on the basis of obtaining concessions. Five years ago this might have

<sup>14</sup> Chairman of Russo-Asiatic Consolidated Limited.

been considered in a different way and it might have improved his position, but he had helped Admiral Kolchak, and if people made mistakes of this kind they must suffer. That was only one case. It showed, however, that it was impossible to disconnect private debts from Government debts.

Although the Russian delegation had mentioned a figure of 50 milliard gold roubles, they did not insist on that amount being handed over. They did not ask for anything for themselves and their intention was to turn it over to their private creditors; that is to say, all the money paid by the creditor Western Governments would go to their own people. That completed their proposals of the morning.

M. KRASSIN then raised the question of restitution in kind to Russia. For example, Russia had already received from the British Government two ice-breakers which had been Russian, had been taken by the British Government and had now been returned.<sup>15</sup> There was also the question of three war vessels to be returned. This was only a technical matter between the Admiralty and themselves. There were some similar cases in other Allied countries. The question was whether there should be restitution in kind to the Russian Government.

MR. LLOYD GEORGE said that he and his friends would like to discuss the matter among themselves for a few minutes.

M. CHICHERIN said that as they were the smaller party they would withdraw.

(The Russian delegation then withdrew for a short adjournment, during which the other Powers conferred among themselves (I.C.P. 238E.<sup>16</sup>)

On reassembling at 6.45 P.M., MR. LLOYD GEORGE said that he had only two observations to make, but he felt that he must make them because M. Chicherin had raised two questions of principle. The first was the liability of the Allies for the devastation in Russia, and the second was whether the Russian liability for war debts was wiped out by the profits made by the Allies in the war. As these questions had been raised he had not been able to let them pass without putting the Allied view, otherwise it would have looked like acquiescence in the Russian view. He did not expect to convert M. Chicherin, and he was certain that M. Chicherin could not convert those who held his view. Nevertheless, he must correct one statement. M. Chicherin had suggested that he himself had said that if the present conference broke down Russia would be wiped out. He had never said this. In the House of Commons he had laid great stress on the fact that Russia was a great country, and in view of this he never could have made the statement alleged. What he had said was that the commercial community would have to close their eyes to Russia and look elsewhere if agreement could not be reached at Genoa.<sup>17</sup> He hoped that even after the distractions of the last seven years he had enough sense left not to make such a statement. M. Chicherin had put the question whether, if they accepted the proposals for a moratorium, the method of its application could be considered later. That, in fact, was the Allied proposal, namely

<sup>15</sup> See Vol. XII, Nos. 676, 678, and 691.

<sup>16</sup> Not printed.

<sup>17</sup> Cf. No. 72.

that the moratorium, its extent, duration and arrangements for interest should be discussed after the general principles had been agreed, either between the experts at Genoa or elsewhere. That was the Allied proposal. He would combine the first question put by M. Chicherin with the third question put by M. Litvinoff, and would give the above answer. The second question was as to what the Allied view was on the restoration *in natura*. The view the Allies took was that the question of the debt should be considered first, and the question of restoration later. The question might be taken up next if the Russian delegation wished. It was better to discuss this as a separate proposition and not to mix it up with the question of debts. He did, however, realise that there were difficulties in this connection which would have to be met.

Then there was a question as to the ice-breakers, &c., which they would gladly go into. They were prepared to consider that. That question would really not break the conference; it would break nothing but ice. He would just add a remark that M. Jaspar had made a few minutes before,<sup>18</sup> namely, that if the Russians would accept the principle of the debt, the Allies would accept the principle of the moratorium.

M. CHICHERIN said he would like to point out that on their part there was no objection to the work of the Political Commission being continued, nor of the sub-committee meeting. It had been said that its labours had been interrupted at the request of the Russian delegation. This was not the case. He was told that there was other work to be done. He thought it was desirable that the commission should resume work. He had heard criticisms from other delegations that the Russians were the culprits. He thought, therefore, it was very desirable that the Political Commission should resume.

Next, he would discuss the question of the reply of the Russian Government. He must point out that the question of time was important. He would like to thank the Italian Government for its hospitality, but from the beginning his Government had pointed out that Genoa was not a suitable place for the conference. Owing to the bad telegraphic communications between Genoa and Moscow, the telegrams had to pass through several places of re-transmission. Consequently, he could not hope to get an answer from Moscow for some days. Between London and Moscow there was something like a direct wire. He would like to have the messages sent through London, and he asked if it could be arranged that this should be done.

SIGNOR SCHANZER said he saw no difficulty, and would make the necessary arrangements.

MR. LLOYD GEORGE said that the idea was that the Political Commission should discuss other questions.

M. CHICHERIN pointed out that the second part of the memorandum of experts might be discussed, and the question of the future.

MR. LLOYD GEORGE pointed out that the British bankers would not discuss the future until the past was satisfactorily settled. He assured M. Chicherin

<sup>18</sup> i.e. at the short meeting of the British, French, Italian, and Belgian representatives during the adjournment.



that the method adopted had been the most practical one, viz., to consider the past first.

M. CHICHERIN said that in mentioning the second part of the experts' report he had referred to the legal questions which were really matters for jurists. These could be very easily submitted to examination by the sub-committee which would be useful. He had already written officially to the conference<sup>19</sup> proposing that the work of the First Commission should be resumed.

M. BARTHOUS said he could not follow M. Chicherin there, and he must reply that such resumption was impossible. He had entered on these conversations in a spirit of conciliation, but unless the principle of debts was settled he could not discuss such questions as the establishment of a system of legislation in Russia. It was first absolutely essential that the Soviet Government should reply that it recognised the debts. If M. Chicherin would answer the question in the affirmative, the work might go on. If he answered in the negative, then there was an end of it. If he could answer neither 'Yes' nor 'No,' the work would have to wait. To continue the discussion would be like beginning a book at the last chapter. The Russian delegation knew the conditions of the memorandum of the 31st January.<sup>20</sup> They had a very good propaganda department which, no doubt, did not confine itself only to the issue of information, but studied what was happening elsewhere. The Soviet Government also knew about the Cannes conditions. They knew that what specially dominated all the other questions with the Western Powers was the question of the recognition of the debt, and it was impossible to go on discussing other questions until this was settled.

M. CHICHERIN said that if this was the case he hoped that the delegates of the Powers would state that the obstacle to the work of the sub-committee was not on the Russian side. At present everyone said that it was. Hence he thought that it should be made known that there was no obstruction of their side.

MR. LLOYD GEORGE said he saw no objection to the sub-committee meeting and stating exactly what the position was. The British delegation saw no objection to this. If the Russian delegation desired it, he would raise no objection. He only wanted a satisfactory conclusion, and for this he was willing to take risks from foreign delegations and from the press. If the Russian delegation disliked the criticism, he himself was prepared to take the responsibility of stating in the sub-committee what the position was; but they must consider whether it was desirable to have a special meeting to state the reasons. They must consider if this would not put 'the fat in the fire'. His suggestion was this, and he made it as a friend of peace, namely, that they should have a meeting of the commission to take up other questions; for example, the question of Lithuania. But as regards the Russian question, he would say that the Russian delegation desired to consult their Government. It was, however, not helpful to say that obstacles had been raised, for this

<sup>19</sup> No text of this communication has been found in the Foreign Office archives.

<sup>20</sup> See No. 65, n. 5.

would aid the enemies of peace. If they failed to reach agreement, each party could then state the reasons for the breakdown.

M. BARTHOU said he wished M. Chicherin to understand that he was not an obstacle. He had proved this by remaining silent all day. The time had now been reached to take decisions, and when each would have to assume their responsibilities. He must say this, that the Russians to-day had gone back on the Cannes resolutions. By the methods they had adopted to-day they had put their acceptance in doubt. As head of the French delegation, he wished to know whether they could reply in the affirmative on the question of debts in clear terms. If they did, then they might proceed, as Mr. Lloyd George had suggested, and examine the question of the moratorium. If they were uncertain, what was the use of resuming the work of the sub-committee? There would be the same sort of incidents that occurred in the plenary session. How could new obligations be assumed unless the Russians assumed responsibility for old obligations? How could they discuss the administration of justice unless they recognised pre-war debts? How could they discuss the conditions of foreigners in Russia unless they knew that the Russians would keep their promises? The French delegation, he would repeat, was not an obstacle to progress, but only to an equivocal situation. They had approached these questions in a spirit of great moderation.

MR. LLOYD GEORGE said he understood that M. Chicherin would communicate with his Government; that Signor Schanzer would take the necessary measures for sending their messages through London; then they might resume discussion either in the Political Commission or as they might arrange. Meanwhile Signor Schanzer would call the sub-committee to consider other issues.

M. BARTHOU asked what questions the sub-committee would take up.

SIGNOR SCHANZER said they could arrange an agenda.

MR. LLOYD GEORGE suggested the question of Lithuania.

SIGNOR SCHANZER suggested the question of Hungary.

MR. LLOYD GEORGE said that if Russia gave an unfavourable reply there would be an end of the Russian discussion. If the answer was favourable they could go on to discuss the other questions. He asked if it would be possible to meet on Monday.<sup>21</sup>

M. LITVINOFF said that it had not been the Russian proposal to summon the sub-committee in order to inform it that the statements were incorrect that the Russian delegation had been responsible.

MR. LLOYD GEORGE said he was prepared to take the responsibility of getting up and saying that the conversations had been necessary, and if anybody was to be blamed he would say he was prepared to take the blame.

M. BARTHOU said they were all solid with Mr. Lloyd George and would share the responsibility of the decision which they had taken in common. He wanted to know whether M. Chicherin wanted a settlement. He gathered that he did. What divided them now? Why was it necessary for M. Chicherin to telegraph to Moscow? They were only speaking of principles, and

<sup>21</sup> April 17.

the Russian delegation had accepted the conditions of the Cannes Conference. This included the recognition of debt. Why should they not repeat what they had already done in accepting the Cannes resolutions? If they could only do so they would gain forty-eight hours.

MR. LLOYD GEORGE said, if M. Chicherin wanted to fortify himself by reference to Moscow, he personally would have no hesitation in agreeing to it. What they wanted was agreement. All had their difficulties. It would only involve a delay of three or four days.

M. CHICHERIN said, answering M. Barthou, that the fundamental difference was the question of the principle of reciprocity. His delegation was advancing counter-claims which could cover all or part of the demands of the Western Powers. The difference was that while the Russian delegation recognised the claims of the Western Powers, the latter would not recognise the Russian claims.

MR. LLOYD GEORGE said that he hoped that M. Chicherin would not put it that way in his telegram to Moscow. He hoped that he would put the actual text of the proposals made by the Allied Governments.

The question was then raised what should be said to the press.

MR. LLOYD GEORGE suggested that the best plan would be to state that the Russian delegation had had to make a communication to Moscow.

M. CHICHERIN thought this would be inadvisable.

SIGNOR SCHANZER said it would be better to say that the discussions were proceeding.

*Hotel Miramare, Genoa, April 15, 1922.*

#### APPENDIX TO NO. 74

##### *Draft communicated to the Russians.*

1. The creditor Allied Governments represented at Genoa cannot admit any liability with regard to the claims advanced by the Soviet Government.
2. But, in view of the serious economic condition of Russia, such creditor Governments are prepared to write down the war debts owing by Russia to them (by a percentage to be determined later); and the countries represented at Genoa would be prepared to consider not only the postponement of the payments of interest upon financial claims, but also the remission of some part of the arrears of interest or postponed interest.<sup>22</sup>

<sup>22</sup> In a Note of April 18 to Signor Facta as President of the Conference, the Japanese delegates protested against this clause as follows: 'Les soussignés délégués du Japon à la Conférence de Gênes ont l'honneur de faire part à M. le Président de la Conférence que ce n'est que le lundi 17 avril qu'ils ont eu connaissance de la note qui a été remise à M. Tchichérine le samedi 15 avril par les délégués de la Belgique, de la France, de la Grande-Bretagne et de l'Italie au sujet de l'annulation partielle éventuelle des dettes de guerre. Cette note a été remise au délégué russe sans le consentement de la délégation japonaise. Or, le Japon étant créancier de la Russie pour une somme totale d'environ un milliard de francs or, les délégués japonais ne peuvent pas consentir à l'abandon total ou partiel de la revendication légitime du Japon envers la Russie sans en référer à leur Gouvernement. Par conséquent, les délégués du Japon se voient dans l'impossibilité d'accepter la teneur de la note en question en tant qu'elle concerne le Japon et ils sont obligés de formuler une

3. It must be definitely agreed, however, that there can be no allowance made to the Soviet Government against—

- (a) Either the debts and financial obligations due to foreign nationals; or
- (b) The right of such nationals with regard to the return of their property and compensation for damage or loss in respect thereof.

réserve. Ils ajoutent qu'une copie de la présente a été remise aux délégués belge, britannique et français.' On April 18, Sir P. Lloyd-Greame had a short conversation with Viscount Ishii and M. Mori, which he recorded as follows: 'I had a talk yesterday with Viscount Ishii and M. Mori on the subject of the attached note [from] the Japanese delegation on the Russian debts on the tentative proposal submitted by the Allies.

'Viscount Ishii explained to me that the Russo-Japanese war debt amounted to about £40,000,000 sterling, and it had originally consisted of Russian bonds which had been publicly subscribed for in Japan. Nearly all of the Japanese holders of these bonds had been paid off by the Japanese Government which took new Russian bonds in their place. Some small number of the original bond-holders are still holding their original Russian bonds. Viscount Ishii said he thought that the Japanese Government therefore stood in a different position from other Governments as regards their debt. The Japanese Government had pressed Japanese manufacturers to subscribe for the Russian bonds originally, and had then relieved them of liability. I explained that I did not think that this would put the Japanese Government in a different position from other Governments, who were holders of Russian war bonds. In our country we had invited our public to subscribe for British war loan, and had then used some 500,000,000 or 600,000,000 of that war loan to lend to the Russians, taking Russian bonds in return. In all cases, directly or indirectly, the money had been subscribed by the nationals of the various countries. As regards Russian bonds still held by Japanese nationals, I said I thought the position was different from that of Government-held bonds. Many of our nationals had subscribed in Russia for Russian war loan, and they, like the Japanese nationals, would have a claim as nationals against the Russian Government. The tentative proposal which had been made to the Soviet representatives only proposed the writing down of inter-Governmental debts. It left private bond-holders untouched.

'Viscount Ishii said that he had no authority to agree to a proposal to write down the debt, that any such proposal would probably require parliamentary sanction in Japan, but that he would telegraph at once to his Government for instructions.'

## No. 75

I.C.P. 239] *British Secretary's Notes of an Informal Conversation held at the Villa Raggi (Signor Schanzer's Residence), Genoa, on Monday, April 17, 1922, at 5 p.m.*

PRESENT: *Belgium*: M. Theunis, M. Jaspar; SECRETARIES: Viscount Davignon, Viscount Terlinden.

*British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P., Sir Philip Lloyd-Greame, K.B.E., M.C., M.P.; SECRETARIES: Sir Maurice Hankey, G.C.B., Sir Edward Grigg, K.C.V.O., C.M.G.

*France*: M. Barthou, M. Seydoux; SECRETARIES: M. Massigli, M. de Felcourt.

*Italy*: Signor Schanzer; SECRETARIES: The Marquis Visconti Venosta, Signor Giannini, Signor Jung, Signor Varvaro.

*Japan*: Viscount Ishii, M. Kengo Mori.

*The Russo-German Agreement. (Appendix).<sup>1</sup>*

MR. LLOYD GEORGE said he had had the pleasure of meeting Signor Schanzer yesterday, and had suggested to him that the inviting Powers should have an informal talk to consider the various contingencies of Russia accepting, refusing or giving an indeterminate answer to the proposals made to them. When the reply came it would be necessary for the inviting Powers to make up their minds promptly, thoroughly to explore the ground, and to decide the line they had to take. Although at the time he had had no idea that this Russo-German arrangement was in prospect, he had remarked to Signor Schanzer that he thought such an arrangement was conceivable, and that it would be a great danger to Europe if the Russians and Germans came together. If this happened, he had remarked that it would be extremely difficult to achieve peace. When observing this he had had absolutely no idea that it was imminent. This move, however, was so obvious a one to anyone responsible for the destinies of Germany that he felt it ought to be considered. Anyhow, it was a very serious fact.

SIGNOR SCHANZER said, just for information, that an hour and a half ago the German Ambassador at Rome had called upon him to notify him of this agreement, and had spoken in the sense that it had been agreed without prejudice to the conclusion of some general arrangement with Russia. This was purely a matter between Russia and Germany, and, if concluded, it was due to the knowledge Germany had of the informal conversations going on between the Allies, to which Germany had not been summoned. Germany had feared she would find herself in the presence of a *fait accompli*. The German Ambassador had referred to an article in the report of the experts who had met in London,<sup>2</sup> which related to article 116 of the Treaty of Versailles, which the German delegation had feared might prejudice their relations with Russia. Signor Schanzer had limited himself to expressing surprise that this agreement should have been concluded during the holding of this conference, and had pointed out that it weakened the general position *vis-à-vis* Russia. The German Ambassador replied that this was not the case, and that the German delegation would do everything possible to assist in a general agreement.

M. BARTHOU asked whether, when he had been warned on the previous evening that there would be a meeting at 5 P.M. to consider the various contingencies arising in connection with the proposals to the Russian delegation, Signor Schanzer was aware of this new development.

SIGNOR SCHANZER said he had known nothing about it until an hour and a half ago. No one had known of this. He felt it was advisable now to examine the attitude to be taken according as Russia accepted or refused the advice of the Allies.

MR. LLOYD GEORGE said he had only heard of the Russo-German agreement that day.

<sup>1</sup> The Treaty of Rapallo (not printed). See *B.F.S.P.* vol. 118, pp. 586-7. See also Wipert von Blücher, *Deutschlands Weg nach Rapallo* (Wiesbaden, 1951), and H. Helbig, *Die Träger der Rapallo-Politik* (Göttingen, 1958).

<sup>2</sup> No. 56, Appendix.

M. THEUNIS said that before examining the substance of the German communiqué he would like to give some general impressions. His impression was similar to that which Signor Schanzer had expressed to the German Ambassador. The Germans must have known that the conference had been called to discuss a general arrangement with Russia which was not likely to be contrary to the interests of Germany. Consequently, the Germans had no justification in concluding this sly agreement behind the backs of the other members of the conference during the two or three days' holiday at Easter. They had no pretext for this. They were now in a political situation not without some danger. It had not been fair play on the part of the Germans.

SIGNOR SCHANZER said that there were two articles in the report of the experts which aroused suspicion in the German delegation. One of these was article 6, which referred to article 116 of the Treaty of Versailles, and the other was article 15 of Annex II, providing that no claim shall be recognised in respect of rights which had ceased legally to exist before March 1917. Germany had feared to lose her rights. Certainly, however, the German delegation ought to have consulted the inviting Powers. As a matter of fact, he had sent Signor Giannini to give general information as to the negotiations between the Allies and the Russians to the German delegation, so as not to give them a pretext for objecting. That had been done with the authority of his colleagues at this meeting.

MR. LLOYD GEORGE asked permission at this point to retire, as someone for whom he had been waiting for some time had called to see him, and who was likely to be able to furnish useful information. He asked if M. Barthou would mind speaking in his absence and he would hear his speech from the interpreter.

(Mr. Lloyd George withdrew, and returned on the conclusion of the interpretation of M. Barthou's and Viscount Ishii's remarks.)

M. BARTHOU, who had readily consented to Mr. Lloyd George's withdrawal, said that he would make a very simple statement. He had asked Signor Schanzer a few minutes before if on the previous day he had known anything of this forthcoming development. Signor Schanzer had given a very frank and loyal reply. He had intended to follow this by a statement himself, but he was glad that the Prime Minister of Belgium had spoken first and spoken in the same sense as he had intended to. The present meeting had been summoned by Signor Schanzer to determine the attitude to be adopted by the Allies towards Russia according as she accepted or declined their proposals in regard to the execution of the Cannes resolutions. The position was different after the receipt of the Russo-German arrangement. Mr. Lloyd George had said that this was now a very serious situation. This was the least emphatic term that could be used to describe it. He thought the situation extraordinarily grave. Signor Schanzer had made a very good reply to the German Ambassador. The Germans had known of the semi-official conversations that were going on with the Russians, the object of which was to define the way in which the Russians were to interpret the Cannes resolutions. Nothing that was to be settled at these conversations was

likely to be to the detriment of German rights or interests. There had now been concluded an agreement between Germany and Russia. This agreement was unacceptable in itself, and would produce consequences in regard to which he must define with precision the position of the French delegation. First of all, it was contrary to the provisions of the Treaty of Versailles and to the Cannes resolutions. Germany, under the Treaty of Versailles, was not allowed to dispose of property in favour of any other nation without the consent of the Reparations Commission. The German credits in Russia belonged to the Reparations Commission. On the other hand, the agreement was also contrary to the Cannes resolutions which had been accepted both by Germany and by Russia. Germany was not entitled to renounce her credits, and Russia had engaged that foreign investors should be assured that their property and their rights would be respected and the fruits of their enterprise secured to them. Now, what had happened? In unofficial conversations outside the conference Russia had taken a decision in regard to Germany, in virtue of which Germany accepted the socialisation of its citizens' property in Russia. Very serious consequences must result from this situation. The French delegation had agreed to the constitution of a Sub-Committee of the First Commission on which they sat with representatives of Germany and Russia. They had further agreed to meet in semi-official conversations with the Russian delegation. As M. Theunis had said, it was absolutely inadmissible in the course of negotiations for someone to fling out a document which was a contradiction of the very basis of the negotiations. He would say frankly that he very much regretted to have to say that the French delegation could not accept to continue conversations with Russia. This was impossible without this new agreement being disowned by Russia. They had agreed to Germany and Russia being given the advantage of being admitted to sit on the sub-committee. He must now say that it was impossible to continue to sit with Germany and Russia after what had happened. They had now reached a point at which it was doubtful whether the French Government would allow the delegation to continue to co-operate after the attitude of Germany and Russia. He had felt it necessary to make this very clear declaration.

VISCOUNT ISHII said that he shared M. Barthou's point of view. It was not only that Germany had been guilty of an act of bad faith; what they had done was contrary to the Cannes resolutions. To conclude a separate agreement while negotiations were proceeding in the conference was an act of bad faith.

SIGNOR SCHANZER said that they were face to face with an extremely grave situation, without doubt, and it was important for them to keep their heads cool and examine the situation carefully without undue haste. They must not be led to take steps which would create a worse situation. There was no doubt that if the Genoa Conference did not succeed in reaching an agreement on this, its most important subject, the political consequences would be very serious, not only for the whole of Europe, but for all the countries represented at this conference. There was no doubt, for example,

that Bolshevik propaganda would start again with great violence. Other results might be more serious still. The Polish Foreign Minister, M. Skirmunt, had called on him and had not concealed that if agreement was not reached at Genoa, he anticipated a Russian attack on Poland—Russia had an army of 1,350,000 men under arms. Another consideration was that this accord between Germany and Russia, which it was easy to foresee, but which could not be prevented, would acquire a greater power if no agreement were reached by the conference with Russia. In that event it would throw the Russians into the arms of Germany. What, he asked, would be the effect of this on Europe? In consequence, it was essential to examine the matter very calmly. He was not quite sure yet, since he had not had time to consider it in all its aspects, how far the German action was a breach of agreement. There was no doubt that it was a violation of good faith, but it was not clear to him whether they had violated the Cannes resolutions or the Treaty of Versailles. He doubted whether the German activity in Russia had been foreseen when article 260 of the Treaty of Versailles was drawn up. As regards the Cannes resolutions; under paragraph 3 (a) the Governments agreed that they would recognise all public debts and obligations which have been, or may have been, undertaken or guaranteed by the State, by municipalities or by other public bodies, as well as the obligation to restore or compensate all foreign interests for losses or damage caused to them when property has been confiscated or withheld. If, however, the creditors did not insist on their rights, then there was no violation. On the other hand, it was necessary to consider that the debts of Germany towards Russia were greater than the debts of Russia towards Germany. In this event Germany would not have received a credit, but would have given up a debt. It was not certain whether this arrangement was to the advantage of the German Government or not. That was the result of his first examination. However, he must repeat that the attitude adopted by Germany and Russia had seriously aggravated the situation. As to whether the arrangement concluded between Germany and Russia was contrary to the Treaty of Versailles, he must reserve his definite and final opinion. His conclusion was that they must do all that they could to reach an agreement with Russia. Otherwise they would only add to the value of the Russo-German agreement.

M. BARTHOU said he would like to add a word to what Signor Schanzer had said and the two speeches might be translated together. Signor Schanzer had spoken of the importance of fairness and moderation. Like Signor Schanzer, he would speak with great moderation. He would simply say that the French delegation had engaged themselves in semi-official conversations with the Russians.

MR. LLOYD GEORGE intervened at this point and said he would like to hear what Signor Schanzer had said before he listened to M. Barthou's reply.

(Signor Schanzer's speech was translated and M. Barthou's was not.)

MR. LLOYD GEORGE said that he had only seen the Russo-German agreement just before he came to this meeting and he had not had time to examine it closely. The view he took was exactly the same as that of M. Theunis; in



fact, he had told Sir Maurice Hankey to tell a Herr Stein,<sup>3</sup> who had called just before the present meeting to see Sir Maurice, that it was not straightforward on the Germans' part when they had been invited to Genoa to discuss a general arrangement with Russia and had been put on a commission for this purpose, to go behind the backs of the rest of the conference and conclude a separate treaty with Russia. He had told Sir Maurice to add that he himself took a very serious view of the situation. He had no doubt that Herr Stein had taken that information to Herr Rathenau, with whom he was in touch. He did not wish to modify in any way the general attitude which had been taken by those present, but he would support Signor Schanzer's plea and ask that they should take some time to consider the matter. He himself would be ashamed to decide such a vitally important question without taking further time for consideration; in fact, at the moment he found it very difficult to decide what was the proper course. He would specially appeal to M. Barthou not to take his decision in a hurry. He felt that M. Barthou owed that to his colleagues and that he should help them to reach a common decision and not take separate action. He felt that this was a very serious matter. For some time he had felt instinctively that this was coming and he had warned M. Millerand about it a year or two ago.<sup>4</sup> It amounted to a new grouping of Powers in Europe and one of the most serious moment having regard to the present situation of the world. A gigantic problem of this kind ought not to be dealt with in a hurry and required the most careful consideration. Suppose that M. Barthou's proposal not to sit on the commission with Russia and Germany were adopted. This would be tantamount to one of two things—either the expulsion of Germany and Russia from the conference or the isolation of France. In M. Barthou's place he would hesitate before taking such a decision. It was for France to choose the one; it was for the other Powers to choose the second. It would be necessary to summon a plenary conference on the ground that France refused to sit with Germany and Russia. If it was decided to take this course it would be necessary to secure a resolution whereby Germany and Russia would be expelled from the conference. He did not know that neutrals could accept this. Europe would be divided into two groups. Russia and Germany would be at the centre of a new group facing the Allied Powers. Was it wise to run that risk? He felt just as strongly as M. Barthou did on the subject of the German action in reaching the agreement. He had spoken to Sir Maurice Hankey in just the same way as M. Barthou had spoken and had said that it was an underhand trick. He earnestly asked that those present should sleep on the question and prudence might come with the light.

He would make a special appeal to M. Barthou not to commit himself to this very serious step. Supposing they said to the Germans and Russians, 'Out you go,' he feared that some of the neutrals would go out with them, and Europe would be divided. This would be a very serious fact. He was not sure what would be the view of the United States of America. They were rather

<sup>3</sup> Presumably a reference to Boris Stein, Secretary of the Soviet Delegation in Genoa.

<sup>4</sup> See Vol. VIII, pp. 657 and 724.

disgusted with Europe at the moment, particularly on the question of limitation of armaments. He thought that, on the whole, American sentiment might be against the Allies in this. At any rate, they were a very doubtful element. If the United States of America were against them, the situation would be very serious. Half Europe would be against, and the United States of America against. If the United States of America were with them, they might be rather half-hearted and the position would be serious. He reserved his judgment as to whether this agreement was contrary to the Treaty of Versailles. He would have to hear the opinion of Sir Cecil Hurst, his legal adviser. M. Fromageot would, no doubt, also give his opinion. At first sight it appeared to him that the agreement was not a breach of article 260 of the Treaty of Versailles, which only appeared to cover a period of a year. Supposing it was a breach, however, the treaty between Germany and Russia would remain. Was the rest of Europe never to make peace with Germany and Russia until this treaty was abrogated? Were they sure that two or three years hence they would not be concluding a treaty with Russia while this new treaty still remained in existence? Might they not be doing this after having broken up the conference because Germany had made peace with Russia? The whole population of Germany and Russia would leap into each other's arms. In the aggregate they were over 200,000,000 of people. He had told M. Millerand many times that you might disarm Germany until there was not a pistol in the country, but she could re-arm herself from Russia. An attempt had been made to render this impossible, and Great Britain had spent over £100,000,000 on it. They [*sic*] had completely failed. Who could say that the Putilof works would not be started again? Germany had the technical skill, Russia had the raw materials. He begged that they would not do anything which would be hailed by certain badly-balanced gentlemen who wrote in the press as a splendid thing for the country, but which every wise man would see to be a foolish mistake on their part. He was not thinking of Germany, but of the peoples of France, Italy, Belgium and Japan, who had sustained this terrible war. He only appealed for reflection and for calm, dispassionate judgment until the following morning. Then he thought it possible, although he only threw it out as a suggestion, that some communication might be sent through Signor Schanzer, who was acting for Signor Facta as president of the conference, calling the attention of the German and Russian Governments to the fact that a breach of good faith had been committed in going behind the backs of the conference. He suggested, merely for consideration for the following day, that someone should come down with a draft. He himself was ready to prepare such a draft calling attention to this. But he hoped that in a moment of anger, even of righteous anger, they would not do something which would produce a war besides which the late war, terrible as it had been, would be insignificant in its effects on civilisation. He would also suggest that the jurists should be instructed to meet together the same evening to advise as to whether or not this Russo-German agreement was a violation of the Treaty of Versailles.

M. BARTHOU said he would make a point of telling Mr. Lloyd George that he had been very much touched by his remarks, for which he thanked him. His only regret was that Mr. Lloyd George had used the word 'anger' so much in the course of his speech.

MR. LLOYD GEORGE said that he was angry.

M. BARTHOU remarked that he was very cool for an angry man.

MR. LLOYD GEORGE said that the more angry he was the cooler he became.

M. BARTHOU said that he himself was not angry, but he was extremely cool. He would reply to Signor Schanzer at once. He would add that in this particularly grave situation he fully understood the necessity for maintaining the most cordial co-operation and friendship among the Allies. He did not wish at the moment to discuss the fundamental question of whether the Russo-German agreement infringed the Treaty of Versailles. He agreed, however, with Mr. Lloyd George that reflection was desirable. In making his remarks he had not been thinking of the press, and he had done nothing to stir it up. On the contrary, for the last week he had been doing his best to moderate the press, and he had not always had their sympathy.

MR. LLOYD GEORGE said he had not referred to the French press only, but to the more excitable press of the world. Great Britain also had its excitable press.

M. BARTHOU, continuing, said that what he could not do was again to meet the Russians in semi-official conversations. What the Germans and Russians had done was tantamount to a new Treaty of Brest-Litovsk. If the two were examined it would be found that they were not so very different. In these circumstances it was impossible for him to go on with these semi-official conversations. He felt it would be difficult to continue the present conversations without the presence of certain other countries. Signor Schanzer had spoken of Poland to-day. Poland was represented on the Sub-Committee of the First Commission. Czechoslovakia, however, was not present. Dr. Benes was not a member. He did not see how these discussions could continue without the presence of their friends and Allies during the war. He had never said he would go away from Genoa. He had, however, on the first meeting, just before the conference,<sup>5</sup> reserved the right to appeal to his Government if unexpected eventualities should arise. M. Chicherin, who had full powers, had, nevertheless, found it necessary to refer to Russia for instructions.<sup>6</sup> He himself would have to exercise the same right. He had not said that he would leave Genoa; he would remain in order to reach an accord with the Allies of France at the conference, but he would not go to a private meeting with the Russians, whom he regarded as traitors. He would agree to have no decision that evening. In this he agreed that Mr. Lloyd George was right. He would also agree to refer the question to the jurists for examination. There was no objection to this proposal. But he must draw attention to his own exceptional position. He was a delegate. Mr. Lloyd George was a Prime Minister. M. Theunis was a Prime Minister accompanied by his

<sup>5</sup> See No. 64.

<sup>6</sup> See No. 74.

Minister for Foreign Affairs. Signor Schanzer was a Minister for Foreign Affairs in his own country, where his Prime Minister was accessible. He himself was a delegate, but he was neither a Prime Minister nor a Minister for Foreign Affairs. Therefore, he must refer to Paris for instructions. He would give his word that he would not ask for his instructions in such a way as to break the probability of an understanding. He realised that union between the Allies was now more important than ever.

MR. LLOYD GEORGE said that he would like to say one word in regard to M. Barthou's position. He felt that M. Barthou was placed in an impossible situation. He had a longer experience of parliamentary life than he (Mr. Lloyd George) himself. What was the good of sending to Paris for instructions? If he had sent to London for instructions they would be given by those who were not conversant with all the circumstances and had only heard one side. In such circumstances he would most likely be sent instructions which would place him in an impossible position. When a man was sent to a conference like this it was essential to trust him. He himself had discussed this matter with his colleagues before he left London. He knew their views and took them into account every time he had to take a decision, and M. Barthou, no doubt, would do the same. But it was an impossible situation to send anyone to a conference as a kind of messenger, and he felt the greatest sympathy with M. Barthou in his position. He also sympathised with the view that the other Allies should all be consulted. The matter affected some of them more than those present to-day. Neither Germany nor Russia could march to London. The British Channel would stop them just as a river would stop the advance of a swarm of locusts. Consequently, Great Britain was not in an imminently serious position, but Roumania and Poland—the limitrophe States—were the most vitally concerned. Hence he proposed that if Signor Schanzer would not mind their company for another day, a meeting should be held on the following morning, and that he should invite to it, besides those present to-day, Roumania, Poland and Czechoslovakia.

M. BARTHOU added Jugoslavia.

SIGNOR SCHANZER raised the question of the Baltic States.

MR. LLOYD GEORGE said that it was necessary for them to be present, and suggested a meeting at 11 A.M.

M. BARTHOU thanked Mr. Lloyd George for his sympathy, which he would return in the form of respect. Regarding the absence of Dr. Benes and others, he felt that it was essential that he should be present. They ought not to exclude Poland and the whole of the Little Entente. He himself would stand by Mr. Lloyd George as an ally, and give his adhesion to his various proposals.

MR. LLOYD GEORGE asked his colleagues to give instructions for the jurists to meet at Signor Schanzer's villa at 9 A.M., to be followed by a meeting of the chief delegates at 11 A.M.<sup>7</sup>

*Hotel Miramare, Genoa, April 17, 1922.*

<sup>7</sup> See No. 76, below.

I.C.P. 240] *British Secretary's Notes of a Meeting held at the Villa Raggi (Signor Schanzer's Residence), Genoa, on Tuesday, April 18, 1922, at 11 a.m.*

**PRESENT:** *Belgium:* M. Theunis, M. Jaspar; **LEGAL ADVISER:** M. Bourquin;  
**SECRETARIES AND EXPERTS:** Viscount Davignon, Viscount Terlinden.

*British Empire:* The Rt. Hon. D. Lloyd George, O.M., M.P., Lord Birkenhead,<sup>1</sup> Sir Philip Lloyd-Greame, K.B.E., M.C., M.P.; **LEGAL ADVISER:** Sir Cecil Hurst; **SECRETARIES AND EXPERTS:** Sir Maurice Hankey, G.C.B., Sir Edward Grigg, K.C.V.O., C.M.G., Mr. Maxse.

*Czechoslovakia:* Dr. Benes.

*France:* M. Barthou, M. Barrère, M. Seydoux; **LEGAL ADVISER:** M. Fromageot; **SECRETARIES AND EXPERTS:** M. Massigli, M. Gauquier, M. de Felcourt.

*Italy:* Signor Facta, Signor Schanzer; **LEGAL ADVISER:** Signor Scialoja; **SECRETARIES AND EXPERTS:** The Marquis Visconti Venosta, Signor Jung, Signor Giannini, Signor Varvaro.

*Japan:* Viscount Ishii, M. Kengo Mori; **LEGAL ADVISER:** Dr. Hatoyama.

*Jugoslavia:* M. Ninčić[ć].<sup>2</sup>

*Poland:* M. Skirmunt.

*Roumania:* M. Diamandy.<sup>3</sup>

**SECRETARY-GENERAL:** Baron Romano Avezana.

**INTERPRETER:** M. Camerlynck.

### *The Russo-German Agreement.*

SIGNOR FACTA said he had only just arrived from Rome and that he brought with him the salutations of the Italian Government and Cabinet, where he had presided at a meeting. It was only in the train that he had heard of these new developments. He realised the necessity of holding a meeting, but as he had not had time to become *au fait* with the question he would be glad if Signor Schanzer, who had not been absent, would speak and resume briefly the situation in which they had been left on the previous day.

SIGNOR SCHANZER said he had very little to say in answer to Signor Facta. His colleagues were aware of what had happened on the previous day. He himself had been informed personally by the German Ambassador that they had concluded a treaty with Russia. Yesterday there had been a private conversation between the inviting Powers,<sup>4</sup> who had recognised that the situation was one of considerable gravity, and had decided to invite the Little Entente and Poland to consider the situation with them.

<sup>1</sup> The Lord Chancellor.

<sup>2</sup> M. Ninčić was Yugoslav Minister for Foreign Affairs.

<sup>3</sup> Constantin Diamandy, formerly Roumanian Minister at Petrograd.

<sup>4</sup> See No. 75.

M. BARTHOUS said he had nothing to add to what he had said on the previous day. Mr. Lloyd George had then said that he would bring a draft of a protest against Germany for consideration.

MR. LLOYD GEORGE said he did not like to weary his colleagues who had been present the previous day with a repetition of the arguments he had used. Now, however, they had the advantage of the presence of their other European Allies. He thought it was very desirable that they should all act together. He also felt that at this moment the rapprochement between Russia and Germany concerned them more than the other Powers who were geographically further removed. It had been felt, therefore, that the inviting Powers must have their counsel before reaching a decision, more especially as it was a far-reaching decision which might affect the whole history of Europe. Germany had been guilty of an act of base treachery and perfidy, which was typical of German perfidy and stupidity; perhaps even more of Germany's stupidity than of her perfidy. It was stupid, because if they were going to take this action they should not have done it in the way they had. There were others present there to-day who could have done it much better than Germany had. If Germany wanted a policy of closing-up with Russia, she was entitled to it; but to carry it out in the way she had was characteristic of German stupidity. On the previous day he had been angry about it, and had felt that his judgment was not quite dispassionate. He was disgusted at the low cheating. He had therefore thought it better that they should sleep over the situation before taking a decision. The situation, indeed, was very dangerous. It was the beginning of a rapprochement between two of the potentially most formidable Powers of Europe. It was true they were not powerful at the moment. The futile attack by Russia on Poland had shown that Russia was at present partly disabled. Germany was disarmed, but a rapprochement between the two offered formidable prospects, for with a combined population of over 200,000,000 they were two of the most potentially strong nations in the world. The Allies must oppose subtlety to stupidity. They must prevent the combination of these Powers; otherwise in five years' time the peace treaties would be imperilled and it would be impossible to enforce them. That was one reason why the present combination must be prevented. His idea was to present to Germany a protest of a very definite character. That was the present view of the British Empire delegation, which he had consulted.<sup>5</sup> Germany, while the Allies had treated her in every way as equals and had been putting her representatives on commissions to consider the application of the Cannes resolutions; Germany, after the Chancellor had said that he was here in a spirit of 'genuine loyalty and fellowship'<sup>6</sup> at that very moment had been engaged in negotiating a treaty which was neither loyal nor in a spirit of fellowship. It was necessary for the Allies to carry all Europe with them. If there was a break they must carry with them the moral sense of the world. During the war they had always had that. Time

<sup>5</sup> At a conference held in the Prime Minister's room in the Hotel Miramare at 10 a.m. on April 18, when the Prime Minister's draft protest to Germany was amended.

<sup>6</sup> Cf. No. 67.

after time Germany had blundered, and the whole moral sense of the world had always been against her. It was first necessary for the Allies to carry Europe with them, and next the United States of America. Next, he would take every legitimate step to prevent this union of Germany and Russia. He recalled that two years ago he had called the attention of M. Millerand to this possible union as the greatest danger.<sup>7</sup> Russian resources and German skill would prove most formidable. It was impossible to invade Russia. The Allies had tried and failed. If Russia were to provide arms for Germany no one could stop it. If possible, the action taken should avoid the expulsion from the conference of two people who would walk out arm-in-arm and would come together afterwards with the spirit which animated people who had been kicked out together. That must be avoided. This private friendship between Germany and Russia would be very dangerous to the peace of the world. He admitted the policy he proposed was not without risks. In the draft document (see Appendix I) he had pointed out the disloyalty of Germany in making a bargain on a subject which fell within the Cannes resolutions, for the consideration of which the Genoa Conference had been called. It was not as though it were an outside subject, but one within the reference of the conference. Hence, he proposed to say that the Allies should not allow Germany to take part in discussions of their own bargains with Russia. If they did, a plenary session would be called and a demand would be made that the commission should be reconstituted without Germany. There was a risk that the Germans might retire from the conference and that the Russians might say, 'You have done this because Germany came to an agreement with us,' and might retire with Germany. He then read the draft protest he had prepared (Appendix I).

M. BARTHOUS said that when it was a question of action, words were unnecessary. He thanked Mr. Lloyd George for his speech, and he would limit himself to this expression of gratitude. The text Mr. Lloyd George proposed carried out the thoughts he had expressed on the previous day. He would simply say that he associated himself with Mr. Lloyd George's words and with the draft he had proposed.

SIGNOR SCHANZER asked that he might be allowed to make a short declaration, which would be in perfect harmony with Signor Facta's views. He was in a peculiarly difficult position. He was under an obligation to make certain remarks on the proposal that Mr. Lloyd George had made. His personal situation was difficult, because he found himself in the presence of an agreement between the French and British delegations, who had expressed concurrence in the same point of view. He was also in the face of the great authority of Mr. Lloyd George. It was, therefore, only from the sentiment of duty that he ventured to make these observations, and he asked Mr. Lloyd George to accept them in this spirit and to accord him full liberty of speech. His declaration was this: First of all, he recalled that in the conversations at the Villa d'Albertis<sup>8</sup> he had always said that in the face of Russia it was necessary for the Allies to maintain a single front and a most intimate

<sup>7</sup> See No. 75, n. 4.

<sup>8</sup> See Nos. 70, 71, and 72.

association in their conversations with the Russians. To this he had always adhered. He would maintain this position whatever might be the outcome of the meeting, and he could assure his colleagues that the Italian delegation, would not take up a different position from the Allies. He would like, on behalf of the Italian delegation, to draw attention to certain aspects of a situation which had become very grave. The draft which Mr. Lloyd George had presented them with that morning did, as Mr. Lloyd George himself had pointed out, involve considerable risks. He was in full accord with the general attitude of the meeting towards Germany, and he agreed that no words could be used which were too strong to stigmatise her treachery. On that he was in full agreement. On the other hand, he felt it was important to examine the consequences of Mr. Lloyd George's proposal. He agreed that some energetic action was necessary, and that the Allies could not sit down under the German action without an energetic protest. He would like, however, to comment on the form of the protest. Mr. Lloyd George's memorandum had been drafted in a manner which drew attention to the equivocal attitude of Germany, and was tantamount to the expulsion of the German delegates from the conference. It was a serious matter, in a diplomatic document, to draw attention to bad faith and disloyalty, however true. It was an extreme word to use. The result would be to expel Germany from the First Commission, and this would be tantamount to expulsion from the conference. The representatives of a population of 60,000,000, presented with a document of that kind, could not possibly remain in the conference. What was the common aim of those present? It was not to allow a combination between Russia and Germany. Their policy should be to try and separate Russia and Germany. He asked whether, before the public opinion of the world and the public opinion of the United States, it was right to treat the two nations, Germany and Russia, in a different way, to employ different measures towards one than towards the other. It was true that Mr. Lloyd George had drawn the distinction between them. The Russians, he had suggested, had made an effort to come to terms and must be treated with more temperance and moderation; but had they not been, in fact, just as much guilty of a breach of good faith in agreeing to this treaty with the Germans? Were the Allies also, therefore, to treat the two differently? Another consideration was that in a spirit of generosity and chivalry the Russians would probably stand by the Germans. This would result in their leaving the conference also. Fundamentally, he thought that all were in agreement, but he would like to propose a change in the actual terms of the document in order to avoid outraging German public opinion and driving Germany out of the conference. In his draft memorandum, Mr. Lloyd George had said something about maintaining the dignity of the conference and the people represented at it. It was not really very definite, but it was implied in a sentence on the first page where he had commented on the fact that the treaty had not been submitted to the conference. In the name of the Italian delegation, he would say that they were considerably pre-occupied with the consequences which might follow the presentation of this



memorandum, and he would beg Mr. Lloyd George to modify the document so that Germany would not be compelled to withdraw immediately from the conference, and to say both to Germany and to Russia that what they had done was greatly to be deplored. In his view that was the best way, viz., to ask them to submit the question to the judgment of the conference; otherwise, the continuance of the conference itself would be gravely menaced. This matter was extraordinarily grave, not only from the point of view of the conference, but also from that of Europe and of the world. Europe would be divided into two parts; Russia and Germany would be on one side and the other Powers on the other; but even of this he was not quite sure. Moreover, he could not forget the situation in his own country. The withdrawal of Germany and Russia would produce a very considerable effect there. There would be a recrudescence of extreme Bolshevik activity, and this would have a bad effect not only in Italy, but in other countries as well.

M. BARTHOU said he would reply to Signor Schanzer in a few words. He fully understood his point of view, and he admitted that to a certain extent it had to be taken into account. He thought, however, that Mr. Lloyd George had already done so. There were lawyers present. A case was presented first on one side and then on the other, and a decision had then to be taken. Signor Schanzer had examined first Mr. Lloyd George's motives and then the dispositions based on those motives. It was necessary first to examine the motives of the draft. On this point he thought that the draft was very moderate, and that the words used to carry out the motives were justifiable. Mr. Lloyd George, when he spoke, was far more severe than when he read. It was clear he had tried to measure his words and to adjust them to the situation created by the German delegation. Hence, the text was an exact representation of the motives of the decision. If an attempt were made to alter it, his feeling was that the document would no longer represent their motives. As regards the decision, there was a difference between Mr. Lloyd George's and Signor Schanzer's proposal. Mr. Lloyd George's draft represented action; the Italian proposals opened the door to a procedure the consequences of which would have to be foreseen. He had not understood that Mr. Lloyd George had wished the Germans to submit the treaty to the conference. They were at Genoa to put into operation the Cannes resolutions; but if they began by negotiating private treaties and then submitting them to the conference, the whole character of the Genoa Conference would be altered. That would be doing something that was extremely dangerous. If risks were necessary they must be taken, but the worst of all risks was not to take a firm ground before the action of Germany and Russia. On the previous day they had agreed to consult their pillows. That was the advice that his pillow gave. He agreed in Mr. Lloyd George's firmness and moderation, and he thought the text he proposed was fair and wise, and he asked that it should be simply accepted.

VISCOUNT ISHII, on behalf of the Japanese delegation, stated his adherence to the proposals of the British delegates, for the reasons so eloquently set forth by Mr. Lloyd George and the French delegate. The British proposal

appeared to him to provide for the contingency suggested by Signor Schanzer, and left open the door for Germany to submit the treaty to the conference. On the other hand, it was essential to preserve the dignity of the conference, and he thought that the British proposal was so drawn as to safeguard this.

M. THEUNIS said he had very few words to say after the opinions which had already been expressed. He had indicated on the previous day his sentiments of indignation and revolt at the action of Germany and Russia. He had indicated that the situation was very grave, and had recommended that reflection should be taken before action. His reflections, however, led to the same results as those of Mr. Lloyd George. If they did not want to see the conference—especially in discussions which were so delicate and difficult—sinking into a muddle, it was necessary to take some sanction for the action adopted on the previous day by Germany and Russia. He thought that this was fully provided for by the note in the speech of the British Prime Minister and in the memorandum in which he had embodied his conclusions.

DR. BENES said he concurred generally in Mr. Lloyd George's proposal. He agreed that it was necessary to proceed with the greatest possible moderation. That was their duty. But it was necessary to preserve the honour of the conference. He himself had come to the conference with the full intention of doing everything and setting aside everything in the course of the discussions, no matter what the question was, in order to promote its success. He would put aside any difficulty which arose, but it was evident that a conference like that at Genoa, which had as its first aim the restoration of mutual confidence, should keep this constantly in view. Hence, while preserving the most moderate spirit, it was absolutely essential also to emphasise the character of mutual confidence and to express the greatest regret that Germany had outraged their sentiments in this manner. Hence he thought that Mr. Lloyd George's proposal had been very well expressed. Signor Schanzer's view, however, that they had not the right to demand of a nation like Germany that action which it had taken should be submitted to the examination of the conference, was worthy of careful consideration. He agreed with the Japanese delegate that such a demand could be made, but he asked his colleagues to imagine the discussion which would arise in this event in plenary session. He felt it was necessary to preserve mutual confidence and to avoid the difficulties which would arise in plenary session, and he thought that Mr. Lloyd George's proposal carried this out very effectively.

M. SKIRMUNT said that he shared the sentiments expressed in the discussion up to this point, which had branded as an outrage the action of Germany and Russia. The Polish Government, in particular, was in a very special position in this matter, as Russia had renounced her claim to compensation for damage done in the war, which was principally upon Polish territory. He could not admit that Russia should waive Poland's right to compensation. That remark had been made in parenthesis. The draft which had been read by Mr. Lloyd George appeared to him to respond to the needs of the situation. He had arrived at Genoa in order to collaborate towards the success of the conference. The failure of the conference would be more

serious for Poland than for anyone else. It would be extremely grave for him to go back to his country after the failure of the conference and with Germany and Russia in alliance. Poland would be the first to suffer. It was always necessary to know who would have to pay the piper, and in this case it would be Poland who would have to pay the piper, because they were situated between Russia and Germany; but that did not prevent them from accepting the situation as it was. It would not change their engagements towards the Allies. They were in a quite peculiar geographical and international situation, but they meant to stand by the alliance with loyalty to the common policy of the alliance. He had told Mr. Lloyd George that he regarded the maintenance of the Anglo-French Entente and of the friendship of the Allies as the princip[al] result to be obtained from the Genoa Conference. He was glad to see that this had been the result and that the alliance had been strengthened. He would like the Allies to rise from this meeting more closely bound together than ever, more united than ever. But he did not want to see a rapprochement between Russia and Germany, and every effort should be made to prevent a new Russo-German alliance. (Mr. Lloyd George interpolated during the translation that this was very important.) Continuing, M. Skirmunt said they should examine as closely as possible how to separate Germany from Russia. In this direction he thought Mr. Lloyd George's draft gave rise to certain hopes. In regard to Signor Schanzer's counsels of moderation, he had formed the impression that it was not feasible to say to an independent and sovereign State like Germany, 'You have made a mistake and must go back.' Germany would rather withdraw from the conference than do this. That was a matter that had to be considered. Hence he would propose to adhere to Mr. Lloyd George's proposal, but to adapt it in the sense proposed by Signor Schanzer. He did not know English, and would like to study the draft more carefully, but he would like to do all he could for moderation, and especially for the maintenance of collaboration at the Genoa Conference. Perhaps this was impossible in the situation which had been created. Public opinion must not say that it was the fault of the Allies; public opinion must say that they had acted with firmness, prudence and moderation. He could say with conviction that it was a very grave situation, and perhaps dangerous to peace, but the solidarity displayed must be continued as the outcome of the conference, however far-reaching the results. On behalf of the country which was most threatened, he would conclude by invoking the solidarity of the Allies until the end.

M. NINČIĆ said he understood the thought of the Italian Government and its consequences. He realised Signor Schanzer's suggestion as to the possibilities and probabilities which might result, but Germany and Russia must have known what would be the result of their actions. These actions had been a mere provocation, and threatened to destroy the very basis of the Genoa Conference. Hence the softening down of the draft would not, he thought, affect the situation. That was why he concurred in the terms of the draft, which he thought gave an exact expression of their thoughts. Beyond that, he thought it gave a clever presentation of the situation towards the

public opinion of Europe, the United States of America and the world. This was very important to everyone.

M. DIAMANDY said he was in a difficult position owing to the regrettable temporary absence of M. Bratiano. The German delegates must have known what they had been doing. Although the treaty had been signed at Rapallo, it must have been negotiated for some time. He thought that there were very faint hopes that the modification of the draft would have any effect. The consequences of a breakdown of the conference would be very serious for his country, which was menaced by Russia, and he desired above all to ensure its safety. For this he thought the solidarity of the Allies was essential. He thought that Mr. Lloyd George's draft responded to the necessities of the situation.

SIGNOR SCHANZER regretted again to have to ask to speak. The summoning of this conference had been in the hands of the Italian Government, and public opinion in Italy had displayed the greatest interest in the conference. Hence it was his duty to present the view of his country. He repeated that he realised that solidarity was essential and that Italy would not take a different view from her Allies. But he would like a short delay to consider further the proposal now before them. On the previous day he had asked that they should consider calmly what action they ought to take. He and Signor Facta did not like to take this action on which the fate of the conference depended, and which they had so much at heart, without consulting the other members of the Italian delegation. Hence, he would ask for postponement for a few hours. He could get his colleagues together and they could take their decision later in the day. He would make a very strong appeal to Mr. Lloyd George, for the reasons which he had given and which weighed heavily on his mind. He thought that the same result as Mr. Lloyd George proposed could be reached by moderating the terms of the memorandum. Some of the speakers had said something in the same sense. For instance, Dr. Benes and M. Skirmunt had, he thought, expressed a desire to modify the draft. He agreed it was essential that they should remain united, but he asked that there should be some modification of the wording. He was told that if it were modified the sense would be altered. He feared, however, the possibility of Germany going out of the conference, and he thought the memorandum should be modified so as to open the door to Germany to come back. Consequently, he made the strongest appeal to Mr. Lloyd George to allow the Italian delegation to make some modifications in the document. The first suggestion he had to make was the omission from paragraph 3 of the words 'a breach of faith and'. His second suggestion would be to omit in paragraph 4 the words 'an act of disloyalty,' and to use some phrase to indicate that the action of the Germans was 'highly regrettable'. He would like to substitute some such draft as the following for the last paragraph:—

'It is obvious that Germany has renounced her participation in the discussions of the conditions of an agreement between the various countries and Russia, and that it would not be possible to agree to her continuing to have a share in these discussions.'

This would not be tantamount to the exclusion of Germany from the conference. In conclusion, he would repeat that he would like time to consult his colleagues.

MR. LLOYD GEORGE said it was vital that all should act together. If there were any division of opinion their protest would lose some of its efficacy. If a great Power like Italy stood outside the protest it would produce a result even greater than the proportionate weight of Italy in the alliance. It would give the impression that the alliance was breaking up, and that Germany and Russia would feel that they could afford to disregard the Allies. As regards Signor Schanzer's appeal to him, he would throw it back to Signor Schanzer; he would appeal to him not to stand out from the Allies. If Italy were to stand out from this protest it would destroy the value of the document. He did not see any essential difference between what he proposed to say to Germany and what Signor Schanzer proposed. Signor Schanzer said, in effect, to Germany, 'You must not take part in the discussions with Russia.' He himself proposed to say it in clear language, that they could not allow Germany to take part. Supposing Great Britain had made her own terms with Russia, he would have regarded it as an impertinence to come into the discussions with the other countries with Russia. He did not think this involved driving Germany out of the conference. We merely said to Germany, 'You have made your bargain, so do not interfere with ours.' He did not know whether it was possible by means of a short adjournment to reach some agreement. He would agree to a short adjournment, but he would emphasise the importance of its being short, as otherwise it would become known that there was some difficulty in reaching agreement. He would ask Signor Schanzer to take risks. From a long experience of public life he was convinced that the worst thing of all was to be weak. He was not taking this line because they were dealing with Germany. If France did the same he would perhaps use stronger language, because they would be present. (M. Barthou observed that he would never provoke it!) It was a monstrous thing for the Germans to have done. They must let them know that it was really unpardonable, and then they would not repeat it. Referring to Signor Schanzer's criticism of the words 'breach of faith,' he said he did not know if there were some diplomatic phrase which would imply this without saying it. There were several Ministers for Foreign Affairs present who might solve this difficulty. He himself had spoken as a plain, blunt, man, and used the phrase that stated what he meant. He would now propose a brief adjournment, but that the document should be signed before they left this building. If they could meet Italy's desires without weakening the document it would be worth while.

SIGNOR SCHANZER said that the most natural form of adjournment was that of luncheon.

M. BARTHOU remarked that this had been provided for yesterday. He understood that no one would leave the premises until after the document was signed.

(The meeting then adjourned for luncheon.)

The conference reassembled at 3.15 P.M. for the consideration in detail of the draft which had been submitted by Mr. Lloyd George in the morning.

M. MASSIGLI proceeded to read the draft in French.

*Paragraph 1.*

M. MASSIGLI pointed out that the note was not to be signed by the convening Powers only, but also by the representatives of the Little Entente and Poland; consequently it would be necessary to alter the first line to the following words, 'The undersigned Powers'.

M. BARTHOU questioned the correctness of the term 'Russian Government' at the end of the first paragraph.

The conference agreed, on Mr. Lloyd George's suggestion, to substitute 'Soviet Government'.

*Paragraph 2.*

M. MASSIGLI then read paragraph 2 in French, which was accepted.

*Paragraph 3.*

M. MASSIGLI read paragraph 3 beginning with the words 'The undersigned Powers' instead of 'The convening Powers'.

It was agreed to omit the words 'a breach of faith and'. The last words of this paragraph, namely, 'the conference' were deleted and the word 'it' was substituted.

*Paragraph 4.*

M. MASSIGLI read paragraph 4.

MR. LLOYD GEORGE suggested in order to meet Signor Schanzer's wishes to omit the last two words 'of disloyalty,' and to substitute the following:— 'which tends to destroy that spirit of mutual confidence which is indispensable to international co-operation, the establishment of which is the principal object of this conference'.

M. JASPAR suggested that the words 'tends to destroy' should be altered to read 'tends to ignore'.

MR. LLOYD GEORGE insisted that the German act destroyed the 'spirit of mutual confidence'. He did not wish to weaken this.

M. JASPAR thought that 'tends to destroy' was rather weak.

LORD BIRKENHEAD suggested the words 'which destroys, &c.'.

This was accepted, and the end of paragraph 4 was accepted to read as follows:—

'which destroys that spirit of mutual confidence which is indispensable to international co-operation, and the establishment of which is the chief aim of this conference'.

*Paragraph 5.*

M. MASSIGLI read paragraph 5 which was accepted.

*Paragraph 6.*

M. MASSIGLI read paragraph 6. In the sixth line of this paragraph the

words 'concluded a secret treaty' were amended to read 'concluded in secret a treaty'.

LORD BIRKENHEAD drew attention to the words 'violation of principles' in the last line, which had been interpreted 'violation *des* principes'. He pointed out that the German act was not a violation of all the principles of the conference, but only of some of them, and suggested, therefore, to omit in the French the word 'des'.

MR. JASPAR suggested to say in the English 'a violation of some of the principles,' which was accepted.

#### *Last Paragraph.*

MR. LLOYD GEORGE asked permission to read a fresh draft he had prepared to meet Signor Facta's and Signor Schanzer's difficulties. The draft was as follows:—

'In these circumstances the undersigned do not consider it fair or equitable that Germany, having effected her own arrangement with Russia, should enter into the discussion of the conditions of an arrangement between the countries which they represent and Russia; and they therefore assume that the German delegates have by their action renounced further participation in the discussion of the conditions of agreement between the various countries represented at the conference and Russia.'

M. BARTHOU suggested to omit from this draft the words 'between the countries they represent and' and to substitute simply 'with Russia'.

MR. LLOYD GEORGE explained that the point of his draft was that Germany had concluded a separate arrangement with Russia and consequently had no right to enter into the discussions of other countries.

M. BARTHOU saw the force of this and suggested to substitute 'the conditions of a general arrangement with Russia'.

MR. LLOYD GEORGE repeated his previous explanation, and M. Barthou withdrew his objection.

SIGNOR SCHANZER said he had an amendment to make to this paragraph.

MR. LLOYD GEORGE suggested he should postpone his amendment until after the point now under discussion was completed.

M. BARTHOU said that the secretary-general had rightly observed that the Allies had taken an engagement for themselves, but not on behalf of States which were not present, and consequently the concluding portion of Mr. Lloyd George's draft had to be amended accordingly. For example, M. Branting might say that Great Britain and France could not speak for other countries.

M. SKIRMUNT said that the draft as it stood only suggested that the Powers signing the document were expressing their own opinion.

M. BARTHOU accepted this explanation and withdrew his objection.

M. MASSIGLI read the last paragraph in French, and suggested for the words 'between the countries they represented' should be substituted 'between their countries'. This suggestion was to avoid repetition of the same phrase twice in this paragraph.

MR. LLOYD GEORGE suggested that repetition was sometimes useful to give emphasis.

M. BARTHOU said that this had been the formula of a celebrated Frenchman—one to whom Mr. Lloyd George's criticisms of Gambetta and Napoleon as not born in France could not be applied, namely, M. Pascal.

The last paragraph was finally accepted in the following form:—

'In these circumstances the undersigned do not consider it fair or equitable that Germany, having effected her own arrangement with Russia, should enter into the discussion of the conditions of an arrangement between their countries and Russia; and they therefore assume that the German delegates have by their action renounced further participation in the discussion of the conditions of an agreement between Russia and the various countries represented at the conference.'

SIGNOR SCHANZER thanked his colleagues, and especially Mr. Lloyd George, for the modifications they had agreed to. Signor Facta, however, was not quite agreed on the last paragraph. He was very anxious to save the conference. They desired that a chance should be given to Germany and Russia again to enter into the negotiations of the commission. The present draft was tantamount to the exclusion of Germany from the Genoa Conference. Signor Facta would therefore like to suppress the second part of the paragraph and to substitute something to the effect that the German delegates by their action had shown that they renounced further participation in the discussions of the conditions of an agreement between Russia and the various countries represented at the conference. He said that Signor Facta considered the situation very serious and so begged his colleagues to reconsider this point. Signor Facta wished to add that this would make Germany take the responsibility for what had happened.

MR. LLOYD GEORGE thought that the Allies had met the Italian delegation very fairly. They had accepted every suggestion that the Italian delegation had made. The last paragraph was, if anything, even more moderate than the draft proposed by Signor Facta that morning. In most of the amendments they had adopted the very words that Signor Facta had used. He himself would have preferred something more brutal. It was necessary to club a German. He did not believe that this would have the effect of driving the Germans out of the conference. It would merely make them realise the seriousness of their action and induce them to avoid a repetition of it. We did not say to them, 'Go out of the conference'; we merely said, 'Having made your own agreement with Russia, you cannot expect to take part in ours.' In any business transaction the same principle would apply. They merely said to the Germans: 'By making your own agreement you have disqualified yourselves from taking part in ours, and it is assumed that you must realise this yourselves.' It was important not to give the Germans the impression that the Allies were frightened of them—that was not the way to do business with Germans. He had gone far to meet Signor Facta and Signor Schanzer. Perhaps the French delegation had felt even more strongly than he, though he himself had felt very strongly. He had, however, done his



best to take out words which, in his view, had been neither inaccurate nor immoderate—in fact, they had emasculated the draft in order to meet the views of Signor Facta and Signor Schanzer. He therefore appealed to Signor Facta and Signor Schanzer to meet the wishes of their colleagues. The Allies had their public opinion to consider as well as Italy. He did not see that the Russians could break with the conference because they were told that representations had been made to Germany.

M. BARTHOUD said he would only say one word, because Mr. Lloyd George had referred to the French delegation. They certainly would have preferred a more energetic and brutal document. He hoped that Signor Facta would not exercise his qualities of seduction any further.

SIGNOR SCHANZER said that he and Signor Facta realised that it was necessary to come to a conclusion, and although they did not feel sure of the consequences, they recognised that everyone must take some responsibility. They would sacrifice their interests on the altar of high loyalty to the union of the Allies, and would be ready to renounce their proposal.

(There was a general expression of thanks to Signor Schanzer for his statement.)

DR. BENES said he particularly wished to thank Signor Schanzer for his words, as he himself had been by his side in this matter. He felt, therefore, that Signor Schanzer's words, inspired by a spirit of loyalty to the principle of a single front, were particularly handsome and he was especially grateful to him.

MR. LLOYD GEORGE suggested that the document should now be sent to be prepared for signature, and that in the meanwhile there should be a general discussion.

(At this point Signor Bertone and Signor Rossi entered and Signor Facta and Signor Schanzer rose to confer with them. The meeting adjourned for the preparation for signature of the protest to Germany. A copy of the document as finally approved is attached as Appendix II.)

*(Adjourned at 4.15 p.m.)*

(N.B.—The subsequent resumption is recorded as a separate meeting (I.C.P. 241).)<sup>9</sup>

*Hotel Miramare, Genoa, April 18, 1922.*

## APPENDIX I TO No. 76

### *Draft Note to Germany*

The Allied Powers which convened the Genoa Conference have learned with astonishment that in the first stage of the conference work Germany, without reference to the other Powers assembled at the conference, has secretly concluded a treaty with the Russian Government.<sup>10</sup>

The questions covered by this treaty are, at present, the subject of negotiations between the representatives of Russia and those of all the other Powers invited to

<sup>9</sup> See No. 77, below.

<sup>10</sup> See No. 75, n. 1.

the conference, including Germany, and the German Chancellor himself declared at the opening session only a week ago that the German delegation would co-operate with the other Powers for the solution of these questions in a spirit of genuine loyalty and fellowship.

The convening Powers have therefore to express to the German delegation in the frankest terms their opinion that the conclusion of such an agreement while the conference is in session is a breach of faith and a violation of the conditions to which Germany pledged herself in entering the conference.

By inviting Germany to Genoa and by offering representation to her in every commission on equal terms with themselves, the Allies proved their readiness to waive the memories of war, and granted Germany the opportunity of honest co-operation with her former enemies in the European tasks of the conference. To that offer of goodwill and fellowship Germany has replied with an act of disloyalty.

At all conferences unofficial conversations between the parties are permissible and often desirable. They are helpful so long as they are designed to facilitate the common task and so long as the results are brought to the conference table for common discussion and decision. But that is not what the German delegates have done.

Whilst the conference was sitting and whilst Germany was represented on the commission and sub-commission charged with the negotiation of a European peace with Russia on the basis of the Cannes stipulations, the German representatives on that commission have, behind the backs of their colleagues, concluded a secret treaty with Russia on the very questions which they had undertaken to consider in loyal conjunction with the representatives of other nations. This treaty is not subject to any examination or sanction by the conference. We understand it is final and that it is not proposed to submit it to the judgment of the conference. It is, in fact, a violation of principles on which the conference is based.

In these circumstances the convening Powers do not consider it fair or equitable that Germany should enter into the discussion of the conditions of an arrangement between the countries which they represent and Russia; and if her delegates take any further part in such negotiations the convening Powers will invite the plenary session to dissolve the First Commission and reappoint another in which Germany is not represented.

*Genoa, April 18, 1922.*

## APPENDIX II TO No. 76

### *Letter to the German Delegation*

Mr. President,

GENOA, *April 18, 1922*

The undersigned Powers have learned with astonishment that in the first stage of the Genoa Conference, Germany, without reference to the other powers assembled there, has secretly concluded a treaty with the Soviet Government.

The questions covered by this treaty are at present the subject of negotiations between the representatives of Russia and those of all the other Powers invited to the conference, including Germany; and the German Chancellor himself declared at the opening session only a week ago that the German delegation would co-operate with the other Powers for the solution of these questions in a spirit of genuine loyalty and fellowship.

The undersigned Powers have therefore to express to the German delegation in the frankest terms their opinion that the conclusion of such an agreement, while the conference is in session, is a violation of the conditions to which Germany pledged herself in entering the conference.

By inviting Germany to Genoa and by offering representation to her in every commission on equal terms with themselves, the inviting Powers proved their readiness to waive the memories of war and granted Germany the opportunity of honest co-operation with her former enemies in the European tasks of the conference. To that offer of goodwill and fellowship Germany has replied with an act which destroys that spirit of mutual confidence which is indispensable to international co-operation and the establishment of which is the chief aim of this conference.

At all conferences unofficial conversations between the parties are permissible, and often desirable. They are helpful so long as they are designed to facilitate the common task and so long as the results are brought to the conference table for common discussion and decision. But that is not what the German delegates have done.

Whilst the conference was sitting and whilst Germany was represented on the commission and sub-commission charged with the negotiation of the European peace with Russia on the basis of the Cannes stipulations, the German representatives on that commission have, behind the backs of their colleagues, concluded in secret a treaty with Russia on the very questions which they had undertaken to consider in loyal conjunction with the representatives of other nations. This treaty is not subject to any examination or sanction by the conference. We understand that it is final and that it is not proposed to submit it to the judgment of the conference. It is, in fact, a violation of some of the principles on which the conference is based.

In these circumstances the undersigned do not consider it fair or equitable that Germany, having effected her own arrangement with Russia, should enter into the discussion of the conditions of an arrangement between their countries and Russia; and they therefore assume that the German delegates have by their action renounced further participation in the discussion of the conditions of an agreement between Russia and the various countries represented at the conference.

Please accept, Mr. President, the assurance of our high consideration.

(Signed)

D. LLOYD GEORGE  
LOUIS BARTHOU  
FACTA  
K. ISHII  
G. THEUNIS  
EDOUARD BENES  
C. SKIRMUNT  
M. NINČIĆ  
CONST. DIAMANDY  
M. TEIXEIRA-GOMES

I.C.P. 241] *British Secretary's Notes of a Meeting held at the Villa Raggi (Signor Schanzer's Residence), Genoa, on Tuesday, April 18, 1922, at 4.30 p.m.*

**PRESENT:** *Belgium:* M. Theunis, M. Jaspar; **LEGAL ADVISER:** M. Bourquin; **SECRETARIES AND EXPERTS:** Viscount Davignon, Viscount Terlinden.

*British Empire:* The Rt. Hon. D. Lloyd George, O.M., M.P., Sir Philip Lloyd-Greame, K.B.E., M.C., M.P.; **LEGAL ADVISER:** Sir Cecil Hurst; **SECRETARIES AND EXPERTS:** Sir Maurice Hankey, G.C.B., Sir Edward Grigg, K.C.V.O., C.M.G., Mr Maxse.

*Czechoslovakia:* Dr. Benes.

*France:* M. Barthou, M. Barrère, M. Seydoux; **LEGAL ADVISER:** M. Fromageot; **SECRETARIES AND EXPERTS:** M. Massigli, M. Gauquier, M. de Felcourt.

*Italy:* Signor Facta, Signor Schanzer, Signor Berthone, Signor Rossi; **SECRETARIES AND EXPERTS:** The Marquis Visconti Venosta, Signor Jung, Signor Giannini, Signor Varvaro.

*Japan:* Viscount Ishii.

*Jugoslavia:* M. Ninčić.

*Poland:* M. Skirmunt.

*Roumania:* M. Diamandy.

**SECRETARY-GENERAL:** Baron Romano Avezana.

**INTERPRETER:** M. Camerlynck.

(The conference resumed at 4.30 for a short discussion on the general policy to be pursued while waiting for the copies of the note to Germany.<sup>1</sup>)

### *General Policy towards Russia.*

MR. LLOYD GEORGE thought that it would be a good thing to profit by the present gathering of all the Allies to have a general discussion as to the line of policy which they should pursue in the various possible contingencies. Our policy *vis-à-vis* Germany was settled. But it must also be decided what we were going to do about Russia.

As a result of the private meetings the Russians had been presented with a very definite formula<sup>2</sup> embodying some of the Cannes resolutions, and they had telegraphed to Moscow before giving their final answer.

There were two alternatives: Russia might refuse or she might accept. If she refused, our course was an easy one; there was nothing further to be done, and the Russian part of the work of the conference would come to an end. If Russia accepted, and he would observe that by accept he meant substantially accept, it was unlikely their reply would be categorical; if, then, they accepted, he thought our policy should be to enter into an agreement with them so that the conference should not separate with the German-Russian agreement concluded and a break between the Allies and Russia.

<sup>1</sup> See No. 76, Appendix II.

<sup>2</sup> See No. 74, Appendix.

He thought such a result of the conference would be very disastrous, and we must do all we can to prevent this. Such a result would develop into a new political combination in Europe which would be most dangerous, and we should therefore do our best to seduce Russia from the arms of Germany, and he thought that it would be possible to do this. The real danger was a combining of interests between Germany and Russia, not between Germans and the Bolsheviks. Bolshevism was a passing phase, and sooner or later—it might be two, it might be more, years—there would be another Government in Russia of a more stable kind, though naturally it would be impossible to foresee what form that Government would take.

If, however, the economic reconstruction of Russia is left entirely to Germany, Russia will be developed entirely to the interest of Germany. Economic co-operation leads to diplomatic co-operation and diplomatic co-operation leads to military co-operation. This was what he most feared, and if this German-Russian combination were at some future date to challenge the Treaty of Versailles it would be very difficult for us to raise again that world-wide combination which successfully resisted Germany in 1918. The world was exhausted, and for this reason alone the difficulty would be immense. As regards the British Empire, the Dominions and India, who, it will be remembered, sent some two million men to fight in the various theatres of war, had their own difficulties. He did not think that the Dominions and India could possibly send their troops to Europe now unless some great and vital principle was at stake. Therefore, our policy should be to do our best to detach the Russian people from the German combination. The Germans had stolen a march on us, but we must not accept diplomatic defeat. We must make the Russian people look to us, and not to Germany, for their help. If we did not, he would hesitate to shoulder the responsibility for what might happen. The position of the Border States would be difficult in the extreme, the more so as it would be difficult for the Western countries to come rapidly to their aid owing to the exhaustion from which they were all suffering.

M. BARTHOU observed that on the main lines of general policy he was completely in agreement with Mr. Lloyd George. Certainly, we must detach Russia from Germany by every means in our power. But what was the present position? We had asked Russia for a definite reply; if Russia said 'No,' then it was the end, and she had settled her own fate. If, on the other hand, she said 'Yes,' then we must proceed to examine the guarantees which she would give of her good faith. He had, however, one objection to what Mr. Lloyd George had said. It was partly an objection in form and partly an objection in substance. To take the form first, the Cannes Conference had decided that the Genoa Conference should submit recommendations to the various Governments, and that it should not have the power to make a convention with Russia here. So far as the French delegates were concerned, they had not the necessary authority to sign an agreement with Russia at Genoa.<sup>3</sup> His objection in substance was that we could not recognise the

<sup>3</sup> Cf. No. 34.

Russian Government, and that therefore we must avoid doing anything which could be construed as according recognition to the Soviet Government. He must therefore make this reservation on behalf of the French delegation as regards an agreement with Russia, but as to the rest of Mr. Lloyd George's policy, he was in complete agreement.

SIGNOR SCHANZER agreed completely with Mr. Lloyd George, but he could not let M. Barthou's remarks pass without asking for some further explanation. As Mr. Lloyd George had said, it would be very valuable to conclude an agreement with Russia at Genoa. After all, the object of the Genoa Conference was to bring Russia back into the comity of nations, and to do this we must make an agreement with Russia. If we fail, what is the use of the conference?

However, M. Barthou had said that the French delegates had no power to conclude an agreement with Russia. This was merely a matter of form which could be settled afterwards. If things got to such a point the French delegates could surely obtain the necessary instructions from Paris. He must, however, point out that it was dangerous to proclaim the doctrine that we could not come to an agreement with Russia now. It was particularly dangerous at this moment, because such a course would give full value to the German-Russian agreement, and would only succeed in throwing Russia straight into the arms of Germany. If we did not succeed in detaching Russia from Germany, the conference would fail completely, and that would be extremely dangerous for the reconstruction of Europe. We must therefore hope that an arrangement with Russia can be concluded. We must also hope that France will follow in our footsteps. If it is merely a question of full powers, this can be settled afterwards.

M. BARTHOU wished to say a few words in reply to Signor Schanzer, who did not quite understand his point. He was not talking of the powers of the French delegates, but of the terms of reference of the Genoa Conference. As he had said, Cannes had decided that recommendations must be made to the Governments, and that the conference could not of itself sign an agreement. It could only recommend a form of agreement to its Governments.

He could not, however, let words pass which accused the French delegates of putting spokes into the wheels of the Genoa Conference. He had made considerable efforts for the success of the conference. Indeed, he had that very morning, when it had been proposed to address a note to the Germans,<sup>4</sup> refrained from suggesting that a note should be sent to the Russians, and he had done this because he had associated himself entirely with the policy laid down by Mr. Lloyd George.

Signor Schanzer had spoken of the powers of the French delegation; he would like, however, to observe that this very morning Signor Schanzer, who was himself a plenipotentiary delegate, and was sitting alongside the President of the Council, had felt it necessary to ask for an adjournment in order that he might summon to his aid a complete cohort of very eminent Italian Ministers. If this was necessary for Signor Schanzer in Genoa surely

<sup>4</sup> See No. 76.

it could not be surprising if M. Barthou endeavoured to do by telegraph what Signor Schanzer had done by motor car.

M. SKIRMUNT wished to make certain observations on the future work of the conference. As he saw the position, and assuming that Russia accepted her obligations, there were three principal points before the conference. These were: firstly, the conditions which Russia must accept in order to permit of international co-operation in her reconstruction; secondly, the defining of the form which that international help would take; and thirdly, the eventual *de jure* recognition of Russia.

As regards the first, he felt that it was in the best interests of Russia herself and of the Russian people that the Powers at Genoa should insist upon making Russia accept the report of the London experts.<sup>5</sup> Not necessarily word for word, but substantially, with such modifications as might be necessary. But if the Russian reply was 'Yes,' they must not only consider the conditions to be imposed upon Russia, but they must also consider his second point, namely, what precise help they could give to Russia. They must define what this help was going to be. Anyone who knew anything of Russian psychology would know that it was much too hard to tell them that they had got to accept conditions and to leave the rest to the future. There must be give and take on both sides. His idea was that a commission should examine what was necessary and practical to put Russia on her feet again. They could examine the questions of railways, ports, mines, &c., and unless something along these lines was done how was Russia to believe that she had anything to gain out of the Genoa Conference?

As regards the third point, *de jure* recognition, he must first of all observe that Poland was in a special position, but that did not prevent her from realising the difficulties of other Powers. He thought it was quite clear that recognition could only be the result of the work and labours of this conference and the realisation or rather the beginning of the realisation of the conditions which Russia would accept at this conference. But he did think it essential that Russia should be told that if she carried out these conditions she would be given *de jure* recognition. If the conference pursued this course with firmness then it was quite hopeful that a further result would be achieved.

M. THEUNIS suggested that presuming the Russians returned an affirmative reply, much loss of time would be avoided by discussing the outstanding questions as regards Russia *en bloc* instead of taking them one point at a time, naturally leaving aside the question of *de jure* recognition. He would remind the conference that Russians were never in a hurry and if we took the Cannes resolutions point by point and elaborated them comma by comma a lot of time would be wasted and there would be a lot more telegraphing to Moscow.

M. DIAMANDY said that Roumania was sincerely desirous of arriving at an agreement with Russia, but that depended primarily on the Russians themselves. Roumania would work in complete accord with the other Powers, but she could not come to any agreement which would be to the detriment

<sup>5</sup> See No. 56, Appendix.

of the special Roumanian interests at stake, namely, Bessarabia,<sup>6</sup> the Roumanian treasure<sup>7</sup> in Moscow and the security of the Roumanian eastern frontier, which at present was subject to inroads of Red bandits, and the restoration of normal tranquillity was the only means of securing international traffic in that part of the world which was pre-requisite to reconstruction.

DR. BENES wished to put three points. Firstly, as regards the future work of the conference, he was convinced that we must all work for the final success of the conference and the work of the other commissions must continue; secondly, as regards the Russian programme, he felt that whatever happened we must in any case elaborate and work out a concrete Russian programme. If Russia accepted then we must elaborate our policy and prepare the basis of an agreement. He agreed heartily with Signor Schanzer that if we wanted to detach Russia from Germany we must have a concrete programme which should actually offer Russia certain definite advantages; thirdly, if Russia did not accept her obligations we should not allow this to alter our line of policy, we should still keep to the lines proposed by Mr. Lloyd George and we should work for the reconstruction of Russia herself and the helping of the Russian people, then even if we might not be able to help the Russia of the moment we might be able to help the Russian people at the earliest possible moment. We ought to arrange in conjunction with all the rest of Europe an elaborate and concrete programme which would show to Russia quite definitely all that she lost by not coming to an agreement with the Powers at Genoa. He believed that this course was quite possible, largely because Germany was not at present in a position to do anything very much for Russia. At the moment she was short of capital and she could not really offer Russia what Russia needed, whereas the Allies and the rest of Europe could. We should make it quite clear to the Russians that we can do more for them than Germany can ever do. We should, therefore, elaborate a programme giving Russia advantages now or in the future. In conclusion, he would like to point out that whereas the conference had been agreed that morning on the necessity of a united front against Germany and Russia on political grounds, it was equally essential that there should be a united front in the economic sphere.

VISCOUNT ISHII said that he was in general agreement with the opinions which had been expressed by Mr. Lloyd George. The conclusion of an agreement with Russia was not objectionable, but even desirable, but such an agreement should be come to without a definite decision as to *de jure* recognition.

#### *Future Conference Procedure.*

SIGNOR SCHANZER then made certain suggestions about the future procedure of the conference. He pointed out that the other commissions had been adjourned to-day, owing to the presence there of so many of the principal delegates, but it was essential to avoid giving the impression that the con-

<sup>6</sup> Roumanian sovereignty over Bessarabia was recognized by the Treaty of Bessarabia, October 28, 1920, between Roumania and the principal Allied powers; see *B.F.S.P.*, vol. 113, pp. 647-51.

<sup>7</sup> See No. 47, n. 3.



ference had been paralysed by this German-Russian agreement. Hitherto, they had held a certain number of private meetings to try and find solutions to the most difficult questions. But it was now the second week of the conference and certain of the nations not represented in these meetings were beginning to be a little restive. As a matter of fact there were waiting for him in the next room two very eminent delegates, namely, MM. Branting<sup>8</sup> and Motta,<sup>9</sup> who had come to ask him that the First Sub-Commission might be convened again as early as possible; they had, however, added that they did not wish to cause the least inconvenience or embarrassment to anyone by their proposition. In the present circumstances it seemed to him impossible that the First Sub-Commission could be convened at once, but he would be glad if the delegates would turn this question over in their minds in order to advise him what answer he was to return, as it was impossible for him to avoid giving an answer.

MR. LLOYD GEORGE said that he saw no objection to the other commissions, i.e., the Finance, Transport and Economic Commissions, proceeding with their work at once. They were not affected with to-day's proceedings and their work would be necessary whatever happened to this question. As to the First Commission, they had better wait till the Russian reply was received. If the sub-commission was summoned what was there to tell it? Moreover, it would probably be necessary to have one more private meeting to discuss the Russian answer. It could be taken for granted that the Russian answer would not be a plain 'Yes' or 'No.' That was not the Russian way of doing business. But if substantial acceptance was obtained from the Russians it would be necessary to discuss it.

(Mr. Lloyd George here pointed out the necessity for signing the note to Germany immediately in order that it could be communicated to the press in time for to-morrow's London and Paris journals.)

M. THEUNIS said that as the copies were not quite ready he would just like to emphasise the fact that it was necessary to do something to show Russia that it was to her advantage to keep in with us. He would suggest that in the event of the First Sub-Commission being satisfied with the Russian reply, they should immediately ask the Transport Commission to examine what could be done to reconstruct Russian transport. No doubt this commission was at work on many interesting problems, but there could be no doubt as to the urgency and importance of the problem of Russian railways. He felt that such a course would rally to our side the more serious members of the Russian delegation.

M. BARTHOUS pointed out that this discussion would take place without the Germans, as they were now out of all discussions on the Russian question.

(The note to the Germans<sup>10</sup> (see I.C.P. 240) was then signed by the principal delegates and the conference ended shortly before 6 P.M.)

*Hotel Miramare, Genoa, April 18, 1922.*

<sup>8</sup> M. K. H. Branting, Swedish Prime Minister and Minister for Foreign Affairs.

<sup>9</sup> M. G. Motta, Head of the Swiss Political Department.

<sup>10</sup> See No. 76, Appendix II.

s.G. 8] *British Secretary's Notes of a Meeting held at the Villa d'Albertis, Genoa, on Wednesday, April 19, 1922, at 12 noon.*

**PRESENT:** *British Empire:* The Rt. Hon. D. Lloyd George, O.M., M.P.; Sir Philip Lloyd-Greame, K.B.E., M.C., M.P.; **ACCOMPANIED BY:** Sir Maurice Hankey, G.C.B., Sir Edward Grigg, K.C.V.O., C.M.G.

*Germany:* Dr. Wirth, Federal Chancellor; Dr. Rathenau, Federal Minister for Foreign Affairs; **ACCOMPANIED BY:** Freiherr von Maltzan, Baron Dufour, who acted as interpreter.

*The Russo-German Treaty.*

MR. LLOYD GEORGE said he was sorry for the misunderstanding which had arisen, and which had led to the Allied note of the previous day.<sup>1</sup> The views of the Allies were shared by all the Powers, including neutrals. The incident had been a very unfortunate one, and he had wanted to discuss the matter informally with the German representatives in order to see what could be done. Since his arrival at Genoa he had had many talks with M. Barthou, who was gradually reaching a much more reasonable frame of mind than when he had arrived at Genoa. A week ago M. Barthou's attitude had been quite different from what it was to-day, and he had recently shown every appreciation of the need of the European peace. He (Mr. Lloyd George) had reached a point with M. Barthou where he had been able to urge him to get M. Lasteyrie<sup>2</sup> to Genoa for a real talk on reparations, and M. Barthou had been almost ready to do it. He himself had persuaded his Chancellor of the Exchequer to remain in Genoa for these informal conversations. The Russo-German treaty, however, had put the whole thing back. M. Barthou had threatened to leave,<sup>3</sup> and would not at present sit at the conference with the Germans and Russians. Such influence as he himself possessed had been exercised purely in the interests of moderation, with the result that the French press appeared to dislike him almost more than the Germans. Only to-day he had learned there was an article in the 'Temps' asking what Lloyd George thought now of his German friends. He had had no idea that the Germans contemplated this disastrous step. He hoped, however, that by a bold step they might put the matter right. Everyone made a mistake now and again. It was inevitable in politics. No doubt the German Government had meant the best, but they had not realised the effect that it would have on the conference to conclude a treaty behind the conference on the very subjects with which the conference had been called to deal. In the interests of the representatives themselves he begged the German delegation to take a bold step; to say that they had not realised what would be the effect of this arrangement; to discuss the matter with the Russians—he, himself, at the dinner on the previous evening had spoken for a moment to M. Krassin, and

<sup>1</sup> No. 76, Appendix II.

<sup>2</sup> See No. 29, n. 14.

<sup>3</sup> Cf. No. 75.

had told him that the treaty ought to be withdrawn in order that an arrangement might be negotiated with all the European Powers. Any question which was not included in the general treaty, and which affected both Germany and Russia, might be included in some subsequent arrangement. He could see no other way out. It would be very awkward if the Germans were to withdraw from the conference. It would be much better for them frankly to admit their mistake and to say they would withdraw the treaty, and that they wished to make a general arrangement with all the Powers. After all, that was the object of the Genoa Conference—to put an end to the idea that they were on one side and we on the other, utterly separated.

DR. RATHENAU recalled that when he had first seen Mr. Lloyd George he had been convinced that a new series of events was impending, and that when Mr. Lloyd George took the matter in hand a new Europe would be created. He had then been more hopeful than at any time during the last eight years. He had told Mr. Lloyd George at the time that he was full of hopes. He recalled that Mr. Lloyd George had talked of the possibilities if America would come into some arrangement. He had understood that Mr. Lloyd George was taking Europe in hand and would give to the Germans life. At present they were dying. At Cannes, where the conference had been to some extent spoilt by the French, he had seen Mr. Lloyd George at his villa, and he had again come back and said, 'Here is help; there is no need for me to despair.'

He knew that Mr. Lloyd George had been struggling hard in the interests of Germany. They could not watch the development of British policy like an Englishman, but they had the feeling that he was struggling very hard. When reparations was left out of the Genoa Conference<sup>4</sup> they had said to themselves, 'Well, this cannot be helped.' They had warned their people not to attach all their hopes to Genoa, and had rather quieted down public opinion. Nevertheless, they had come to Genoa still quite hopeful. They had said to themselves: 'Even if reparations is not part of the conference, this is because it is not one of the questions for Genoa, but there are other means of helping us.' They realised that the final settlement of the Treaty of Versailles was not to come yet. There was great danger in the present situation in Germany due to the disorganising of the police by the Military Commission; due to being constantly asked for gold and being told that loans were not a good thing, and so forth. He felt a sincere conviction that they were drifting to a revolution next summer. It would neither be a Bolshevik nor a Monarchist revolution, but would break Germany in pieces, and Mr. Lloyd George would know what that meant. If that was to be the result, Genoa was no use. When he first met Mr. Lloyd George at Genoa he had felt a great emotion, but he had gathered that Mr. Lloyd George would not talk with him.<sup>5</sup>

<sup>4</sup> See No. 20.

<sup>5</sup> Mr. Lloyd George, in answer to a Parliamentary Question on June 15, 1922, stated: 'I saw Dr. Rathenau for a few minutes early in the week [before the signature of the Treaty of Rapallo], and in reply to two messages through one of my Private Secretaries I said that I would arrange a meeting with him and the German Chancellor as soon as the first

MR. LLOYD GEORGE said he had not been ready to talk. It was no use for him to talk to Herr Rathenau until he had brought France round to a reasonable point of view. Great Britain stood rather between Germany and France; in fact, she always had done. The French were not a particularly easy people to persuade. He had been working hard and consistently to bring France round to his views. M. Barthou was already in quite a different frame of mind from what he had been a week ago. He fully realised the force of all that Herr Rathenau had said, but his complaint was that he had acted behind the backs of the conference. He could only recover the position by a very bold step; if he would not take it, he did not know where they would be.

DR. RATHENAU said that during his first conversation with Mr. Lloyd George he had felt that they were going to get no great help. The conference meanwhile was continuing. He did not criticise the general plan of the conference because he felt sure that Mr. Lloyd George had his plan. While they had been discussing the commonplaces of economics, he knew all the time Mr. Lloyd George was doing his best, so they had gone into the schoolroom and discussed these questions. Then he had wanted to speak to Mr. Lloyd George. He had sent Baron Dufor three times to ask him to talk, and three times he had been told the conversation must be postponed; once also he had asked by telephone.

MR. LLOYD GEORGE said he had already explained he had not been ready. It was no use talking until he had come to terms with M. Barthou.

DR. RATHENAU said he was not complaining.

MR. LLOYD GEORGE said the reason was that he had first had to get France to agree.

At this point he received a message, and commented that this meant more trouble with the French. That was the trouble. The Germans were dealing not only with the British, but with the French too. Dr. Rathenau had no idea how difficult it was to keep France from going into the Ruhr. M. Poincaré had been elected in the interests of a firm policy, and this made matters more difficult.

DR. RATHENAU asked to continue his statement, and apologised for his prolixity. At first they had not been in a discontented position, but when they saw the British programme in regard to Russia<sup>6</sup> they had felt much disturbed. In regard to article 116, they felt that the proposals of the experts<sup>7</sup> were dangerous from a money point of view, but more dangerous from other points of view.

MR. LLOYD GEORGE remarked that this had not been his policy.

DR. RATHENAU said that to put Germany in the position of a war debtor of all countries was hopeless, and he could not believe it was Mr. Lloyd George's policy. He knew that Mr. Lloyd George wanted Germany to recover. He had asked himself what was the way to handle the situation, and he had felt strain of the Conference work was over. . . . I actually tried to arrange a meeting with the Chancellor and Dr. Rathenau on Easter Day, but Dr. Rathenau's absence at Rapallo made this impossible.' See 155 *H.C. Deb.*, 5s., p. 537.

<sup>6</sup> See No. 40.

<sup>7</sup> No. 56, Appendix.

there must be some informal conversation. He was not complaining about the discussions with the Russians, but they had said they could not give up their hopes of economic life, and so had felt it essential to discuss with the Russians themselves. When they came to Genoa the Russo-German agreement had been ready, and could have been signed in Berlin before they left. They had felt, however, they must go to Genoa with a free hand. He himself had tried to get in touch with Mr. Lloyd George, and when he could not get a personal interview he had tried through the intermediary of Herr von Maltzan.<sup>8</sup> He could not choose his British intermediary, and had acted through Mr. Wise, Mr. Gregory, Mr. Fountain and a Belgian. He had had a dispute with Sir Robert Horne on the previous day, and he had told Sir Robert Horne that he could not choose his own intermediary.

MR. LLOYD GEORGE said that Sir Edward Grigg would certainly have seen any intermediary of Dr. Rathenau's, and Sir Edward Grigg was his personal secretary and in continuous touch with him. If he wished to communicate direct with Mr. Lloyd George he might have done it through Sir Edward Grigg.

HERR DUFOUR intimated that some communication had been made to the British delegation in regard to the Russian negotiations.

MR. LLOYD GEORGE said he had instituted an enquiry on that point and was satisfied that there had been no such communication. If there had been, and it had not been reported, it would have been a matter to deal with by stern disciplinary measures. His experts absolutely denied that Herr von Maltzan had said anything about the Russo-German negotiations.

DR. RATHENAU said that Herr von Maltzan had notified that they could not accept some of the articles in the Report of the experts, and had had a long conversation.

MR. LLOYD GEORGE said that the portion dealing with article 116, to which Dr. Rathenau seemed to object so much, could have been discussed in the sub-committee. In the face of considerable opposition, he had secured the representation of Germany and Russia on that Sub-Committee of the First Commission on the same terms as the other Powers.<sup>9</sup>

DR. RATHENAU said he could not accept this, and had wanted a private conversation. If he could not get this, he had then said he must make his own arrangement with Russia. His answer was that he had tried to put the matter before Mr. Lloyd George himself, but had failed.

MR. LLOYD GEORGE pointed out that there were three British delegates here besides himself: Sir Robert Horne, who, he understood, had had many conversations with Herr Rathenau, Sir Laming Worthington-Evans and Sir Philip Lloyd-Greame, whom they and their experts were meeting every day at the various committees. Why had they communicated through subordinate officers? It was no use for Herr Rathenau to take this line. He could not really claim to have done anything to warn the British delegation that he was making a separate agreement with the Russians before discussing

<sup>8</sup> Ministerial Director of the East European Section of the German Foreign Office.

<sup>9</sup> See No. 65.

a general agreement. He had made a separate agreement before the conference had even discussed these questions. If the conference had ignored their protest, of course they would have been entitled to make their own arrangements, but to do everything before the conference had discussed it —! However, it was no use having further discussions in regard to the past. That did not help the future.

DR. RATHENAU said that he would accept, not [*sic*] Mr. Lloyd George's thesis, but not to go into the past. What they had done they had done. If they had to go home they would have to report to their parliament that they had been turned out of one Committee, that their impressions were so-and-so and that they had had to make this settlement with Russia. He had consulted the Chancellor on the previous day as to whether they should go to the dinner party. It had been a difficult decision, but they had decided to go. This morning the Marquis Venosta had asked them to attend the Commissions, and their representatives had asked for instructions. He had told them to go. This would not be understood in Germany, but he had told them to go so as not to break the conference. The German people would not understand this after what had happened on the previous day, but he would not go back on his decision.

They could not undo the treaty with Russia, but they might put it back for the moment and insert it later in the acts of the conference. They might find a formula for this. Another difficulty was to find a formula wherewith to explain the matter to their public opinion. If they wanted to find this, they could no doubt find it. He understood Mr. Lloyd George had seen Germans and other people who had been in Germany who thought that Germany was flourishing. This was not the Chancellor's impression nor his own. Germany was suffering and was going into the abyss. Since the time when he had met Mr. Lloyd George the exchange had risen from 160 to 350 marks to the dollar, and was now at 300. Prices were not yet adequate to the rate of exchange. They might go to 600 and 1,000, and then Germany would go the way of Austria, and there would be great internal trouble and distress. They were being teased day and night by a thing called the Ambassadors' Conference, which really had no existence, and under whose orders they rested day and night. If they stayed at Genoa with all this going on it would not be understood. He knew that Mr. Lloyd George wanted to help. If he could not help, let him tell them and allow them to go away. In that case France would perhaps take the Ruhr. Their existence as a Government did not matter much, but their country did. If what he had suggested happened, it would strengthen the Radicals of the Right and the Radicals of the Left.

Perhaps Mr. Lloyd George did not realise that some people thought it was the right thing to have the French in the Ruhr and for Germany to be broken up and that was the only way to real peace, namely, that they should go right to the bottom. The Chancellor and he, however, thought this catastrophic. They had been convinced that their policy was the right one. They asked for a loan and the bankers said it was not to their interests to take it. They had a military commission disorganising their police. They had carried out the

terms of the Treaty of Versailles in regard to disarmament to the extent of 99.999 per cent., the remaining .001 per cent. was used as an excuse for bullying them. They were no longer governing themselves, but were governed by a Conference of Ambassadors, the Reparations Commission, the Disarmament Commission and the Supreme Council. If they had to go home and say that at Genoa they had found no help and no hope, they would have to admit that their policy had failed. They did not think that Mr. Lloyd George wanted them to go that way. It was killing them physically and morally. If they could not get help at Genoa they would have to confess that their policy was wrong. He would not admit that they had done wrong in making the treaty, because he was convinced that they had not, but they might be able to find a formula. If the questions affecting Germany could not be settled let them go away. They would then be a very poor people, but they would remain honest. That was neither the English nor the German way of doing business. It might be thought that after all they had suffered for the last three years there might be some falling-off of honour, but this was not the case. The Chancellor and he were agreed on this. If it was necessary, let them go to their people, and tell them that the Genoa Conference had failed.

MR. LLOYD GEORGE said that if the German delegation returned to Germany—and this was a matter purely for their own decision—the Genoa Conference would have to proceed without them. If they gave their version, others also would tell the facts and their account would, no doubt, reach Germany. The German Government, like other countries, no doubt had its critics and opponents and the whole of the facts would be utilised by them against the Government. Herr Rathenau had presented his case with his usual skill, but the facts as he had stated them were not likely to appeal to the German public, which would in time realise the truth. The German delegates would say that they had gone to Genoa with certain hopes and that they had been turned out of a Commission and had had no further conversations with the British representatives. That, however, did not represent the facts. What were the facts? The Germans had come to Genoa and had attended the first meeting on Monday, the 10th,<sup>10</sup> i.e., seven days before the Russo-German agreement was signed. On the following day they had attended the First Commission,<sup>11</sup> where Germany had been placed in exactly the same position on the commission as Great Britain, France, Italy and the other Great Powers of Europe. The rank and status of Germany as a Power with 60,000,000 people had been fully recognised. When they recalled that only three years ago they had been engaged in the greatest war that had been ever fought, in the course of which unparalleled devastation had been effected—he would not discuss the question of responsibility for this—it was rather remarkable that they had met on equal terms. This was especially the case when it was recalled that Germany had probably lost 2,000,000 men, France 2,000,000, Great Britain 1,000,000, and Italy had sustained very large casualties. Notwithstanding this they had met on equal terms in the

<sup>10</sup> See No. 67.

<sup>11</sup> See No. 68.

commissions and sub-commissions. Dr. Rathenau had now spoken as though representation on these commissions was nothing. He had called the commissions schools, and had talked as though they had only discussed the alphabet. He himself had already received a report from a financial sub-commission, which pointed out the disastrous effects of reparations on Europe. Was that a matter for an elementary school?

DR. RATHENAU remarked that he had not said 'elementary'.

MR. LLOYD GEORGE, continuing, said that the French representative had signed the report, although he knew his countrymen would not approve this. Dr. Rathenau might call this commission a school, but it was very important to Germany. In addition to this, he himself had been working for informal conversations. It was impossible to repair the atrocities resulting from the war within a space of three years. Even in England, where the hatred of Germany was not nearly so great as in France—until the late war Great Britain had never fought Germany—great patience was required. He was severely attacked in the 'Times' and 'Morning Post,' organs which supported the party which acted with him, on account of his attitude towards Germany; but opinion in Great Britain was gradually being modified. Even in France he saw signs of change. The Paris press did not represent provincial opinion, but great patience was required. In spite of this, after only six days, when one commission had already issued a report very helpful to Germany, the German delegation proposed to go home and say that they had been insulted and humiliated. The German people were a great people, and would know that this did not represent the facts. They would say that the German delegation ought not to have made a treaty behind the backs of the conference, nor to have broken up the conference. What was it they had done? They had signed an agreement with Russia. He was not challenging any particular article of that agreement, but the fact of concluding such an agreement offended every nation at the Genoa Conference. Even neutrals which were friendly to Germany, like the Swiss and the Swedes, condemned their action in signing a separate treaty on a matter that was before the conference. If the Allies said, 'Because you have made your own arrangements you cannot take part in our negotiations,' they were only acting according to elementary principles. If the Germans had made their own contract with Russia they could not expect to take part in the contract to be made by the other Powers. The Germans would have broken up the concert of Europe into which they had just been brought back. The 'Temps' was saying that if England would not go with France, France would act alone. The coal of the Ruhr just within reach of them was a strong lure. Up to the present, the British Government had held them back. If the German delegation went back to Germany the French would do it on their own responsibility. He himself had done his best. He would like to say one word about Germany. The Genoa Conference was full of hope for Germany. The first report which had been issued from the First Committee on Finance on which the whole of Europe had ever been represented was favourable to them. If an agreement were reached at Genoa, the United States of America would come



in. If it was a failure, they would not. If the United States came in, that would lead to a settlement of the reparations question. We were quite willing—and had told the French so—to pool our debts, including reparations debts, but only on the condition that the United States came in. By leaving, therefore, Germany would have thrown away her only hope of recovery, and simply because her statesmen had not the courage to admit that they had made a mistake. He particularly wished the German Imperial Chancellor to hear what he had said.

(Mr. Lloyd George's speech was then translated.)

Mr. Lloyd George added that he would like to suggest a formula by which the German delegation could set themselves right. He then handed to Dr. Wirth the formula attached (Appendix I).

DR. WIRTH recalled that he had taken over the German Government on the 10th May last year. He had done all he could, by his policy, to bring peace to Europe, even on the question of disarmament.

MR. LLOYD GEORGE agreed in this.

DR. WIRTH, continuing, said that he had even succeeded in disarming Bavaria,<sup>12</sup> which was very difficult from the point of view of the unity of the Empire. He had come to Genoa with the greatest hopes. He wished to refer to something which had happened on the previous Friday evening<sup>13</sup> at 10 P.M. Dr. Giannini had come to see him in order to inform him officially of certain things which had happened, and he had assured Dr. Wirth that he came in an official capacity. He had said that during the last few days conversations had taken place between the Allies and the Russians, and, very shortly, he had informed him that an understanding would be reached.

MR. LLOYD GEORGE pointed out that they had only met the Russians on Friday, and they had only discussed the question of debts.<sup>14</sup>

DR. WIRTH said he would only say what Dr. Giannini had reported to him. He had feared there was a possibility of something taking place to the detriment of Germany.

MR. LLOYD GEORGE asked Sir Maurice Hankey if he had a copy of the document which had been given to the Russians, and Sir Maurice Hankey produced a copy of this document (Appendix III),<sup>15</sup> which Mr. Lloyd George handed to Dr. Wirth.

DR. WIRTH said he had then taken Dr. Giannini by the hand and taken him to Dr. Rathenau, who was with Freiherr von Maltzan and Herr von Simson.<sup>16</sup> There had then been a long meeting between the three, and he himself had returned to his room. The results of this conversation were that they decided to conclude the separate treaty with Russia.

MR. LLOYD GEORGE emphasised that the Allies, in their conversations with the Russians, had only discussed one point in any detail, namely, that of the debts, and they had only made the proposal which he had handed to Dr. Wirth. It had not been possible to induce the French Government to

<sup>12</sup> See Vol. XV, Nos. 1, 2, 70, 74 and Vol. XVI, Chap. IV.

<sup>13</sup> i.e. April 14.

<sup>15</sup> Not here reproduced; see No. 71, Appendix.

<sup>14</sup> See No. 72.

<sup>16</sup> See No. 42, n. 4.

continue the discussions unless there was some arrangement in regard to debts, which was largely a French question, although the British were also interested.

DR. WIRTH said that he had considered it necessary to go forward with the Russian negotiations in order to save something for Germany. They were now told that this step had changed the atmosphere of the conference.

MR. LLOYD GEORGE again drew attention to the document in Appendix III, and pointed out that it referred only to one point, namely, the question of debts.

FREIHERR VON MALTZAN repeated that Dr. Giannini had intimated that they had arrived at an arrangement with the Russians in regard to pre-war debts.

MR. LLOYD GEORGE said there had been no understanding reached even now. There must have been some misunderstanding, and perhaps Dr. Giannini had referred to the Cannes resolutions.<sup>17</sup> They had not discussed in any detail private property, recognition of Russia, or any of the other questions.

DR. WIRTH said that they had even told Dr. Giannini that they had previously discussed an arrangement with Russia, but as they were hearing of these pourparlers they would have to try something else.

MR. LLOYD GEORGE said that of course the Germans had just as much right as anyone else to discuss with the Russians at Rapallo; but supposing the Allies had signed a treaty behind the backs of the conference, what would have been said?

FREIHERR VON MALTZAN said that on the Saturday evening<sup>18</sup> they had received the same news from the Little Entente.

MR. LLOYD GEORGE commented on the fact that a great country like Germany should act on a report like that.

DR. WIRTH said it was an act of despair on Germany's part.

MR. LLOYD GEORGE said it was a very unfair act to the conference to conclude a treaty behind its back. He then read over the formula he had handed to Dr. Wirth.

DR. RATHENAU said it was impossible to withdraw from the treaty. What they might do was to find a formula which would enable them to continue in the conference.

MR. LLOYD GEORGE asked where Dr. Rathenau's formula was. Could he not have it now? Every moment was vital; every minute that things were not getting better they were getting worse. Where was Dr. Rathenau's formula?

DR. RATHENAU said it was difficult to make one in a moment. The question was, if they accepted a formula, would the Allies do what was vital for Germany? He was not speaking of altering the treaty or of the reparations questions, but of the possibility of economic life in Germany which he understood Mr. Lloyd George to want. If those things could be guarded he thought a formula might be found. They did not want to have to go home and admit failure. If, however, matters could not be arranged he would have to say that his policy had failed.

<sup>17</sup> See No. 6, Appendix.

<sup>18</sup> i.e. April 15.

MR. LLOYD GEORGE said it would not be fair to the German people for Dr. Rathenau to say that without telling the whole story.

DR. RATHENAU said that the question was whether the Allies would try to help. If so, he would try to reach a formula. If he was told this was hopeless, he would tell his people that Mr. Lloyd George had done his best, but that their policy had failed.

DR. WIRTH said they would consider Mr. Lloyd George's proposal. There could be no question of a real withdrawal of the Russo-German Treaty, but they would try and find some way to dovetail their agreement into the remainder of the conference.

MR. LLOYD GEORGE said that really meant sticking to it. It was not a question of a mere formula. That was no use. He was doing his best to meet the German case. He was to have met Sir Robert Horne, M. Barthou and Signor Schanzer on the previous day to discuss reparations, but, owing to the German action, it had had to be put off until this misunderstanding had been cleared up. When this was out of the way he hoped that the atmosphere would be cleared, and he would do his best for the situation in regard to reparations. He hoped that Dr. Wirth would be able to give a favourable answer to his proposal. He then handed him the alternative draft in Appendix II.

DR. WIRTH said he would examine it very carefully. He realised the importance of the question. He would try and give an answer by 5 P.M.

DR. RATHENAU said that he would like one of Mr. Lloyd George's staff to meet one of the German staff to discuss the situation.

SIR PHILIP LLOYD-GREAME observed that it was no good going back over the whole situation again.

MR. LLOYD GEORGE said that Sir Philip Lloyd-Greame would be willing to meet Dr. Rathenau on the question of a re-draft.

DR. RATHENAU said it was not a mere question of drafting. He understood that the British delegation did not agree on the points of their treaty.

MR. LLOYD GEORGE said he had never discussed the points of the treaty, but what he objected to was the fact of their having made a treaty behind the backs of the conference on the very questions which the conference had to discuss. Having signed a treaty of their own, they could not expect to discuss the Allied treaty. He was anxious to put the Germans back into the conference from which they had ruled themselves out. They might say they had been misinformed, and consequently that they would withdraw. He had been quite fair to them and given them the document which had been presented to the Russians. Apart from a speech by M. Krassin on the subject of the economic position in Russia, practically the whole discussion had taken place on the subjects dealt with in that document. The Germans had put themselves in a privileged position by the action they had taken, and he wished to bring them back to the general position.

DR. RATHENAU asked what reply the Russians had given when Mr. Lloyd George had spoken to M. Krassin.

MR. LLOYD GEORGE said that M. Krassin had not been in a position to give a definite answer.

DR. RATHENAU said that they would have to discuss the question with the Russians first. They were parties to the treaty, and he could not settle anything without their consent. He would also discuss the question with Sir Philip Lloyd-Greame.<sup>19</sup> It would be doing something underhand if they withdrew from the treaty behind the backs of the Russians.

MR. LLOYD GEORGE suggested they should talk to the Russians at once on the question.

(The German delegates then withdrew.)

*Hotel Miramare, Genoa, April 19, 1922.*

#### APPENDIX I TO No. 78

##### *First Alternative Formula.*

(Handed by Mr. Lloyd George to Dr. Wirth on Wednesday, April 19, 1922.)

The German Government, having regard to the misunderstanding which has arisen out of their Russian negotiation, and actuated by a strong desire to promote the aims of the Genoa Conference, declare their readiness to withdraw the treaty between Germany and Russia, signed at Rapallo on Sunday, the 15th April, and to co-operate in the negotiation of a general settlement between Russia and the other Powers represented at the conference. If all the questions between Germany and Russia which are covered by the Rapallo Treaty are not provided for in the Genoa pact, the German Government reserve to themselves the right to supplement that pact by further negotiations with Russia on those questions.

#### APPENDIX II TO No. 78

##### *Second Alternative Formula.*

(Handed by Mr. Lloyd George to Dr. Wirth on Wednesday, April 19, 1922.)<sup>20</sup>

The German Government, having regard to the misunderstanding which has arisen out of their Russian negotiation, and actuated by a strong desire to promote

<sup>19</sup> In his telegram No. 57 of April 20 to the Foreign Office, Mr. Gregory reported: 'Rathenau saw Sir P. Lloyd-Greame later and stated that Russians would not agree to withdrawal of treaty and maintained his personal attitude at the morning conference.'

<sup>20</sup> In his telegram No. 222 (repeated as No. 7 to Genoa) of April 20, Lord Hardinge reported: 'On enquiry at the Ministry of Foreign Affairs I learn that a telegram has been addressed to the French representatives at Rome, Tokyo, Brussels and London instructing them to approach the governments to which they are accredited and to point out that the note addressed to the Germans at Genoa only referred to the treaty of Rapallo as being a breach of the Cannes resolutions. In the opinion of the French government this treaty is equally a breach of the treaty of Versailles. The French government therefore suggest that the conference of ambassadors should be authorized to examine whether the French view is correct, and an enquiry whether the other governments concerned agree is to be made by the French representatives.'

'I understand that the French government have also requested the Reparation Commission to study the question from the point of view of a possible breach of article 260 of the treaty of Versailles.' In his following telegram, of the same date (No. 223, repeated as No. 6 to Genoa), he added: 'Monsieur Poincaré's action in referring matter to conference of ambassadors is characteristic of him, but he is also probably influenced by a movement of

the aims of the Genoa Conference, declare their readiness to withdraw the treaty between Germany and Russia signed at Rapallo on Sunday, the 15th April, and to co-operate in the negotiation of a general settlement between Russia and the other Powers represented at the conference, and proposes that any separate agreement to be made thereafter should be confined to questions not covered by the general agreement.

irritation among his supporters on the extreme right who complain of his want of vigour in pressing French views at Genoa, by protests from Viviani, and by notice of interpellations, including one by Tardieu, when Chamber re-assembles.

'The verdict of French public opinion as to the attitude to be adopted as the result of the Russo-German treaty is not yet clear. The first feeling of anger and dismay and the call for forcible measures is now accompanied by a distinctly visible impression that Germany has made a stupid mistake which will serve French interests by bringing France and England together.'

## No. 79

I.C.P. 242] *British Secretary's Notes of an Informal Meeting held at the Hotel Miramare, Genoa, on Thursday, April 20, 1922, at noon.*

**PRESENT:** *Belgium:* M. Theunis, M. Jaspar; **SECRETARIES AND EXPERTS:** Viscount Davignon, Viscount Terlinden.

*British Empire:* The Rt. Hon. D. Lloyd George, O.M., M.P., Lord Birkenhead, The Rt. Hon. Sir R. Horne, G.B.E., K.C., M.P., The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P., Sir Philip Lloyd-Greame, K.B.E., M.C., M.P.; **SECRETARIES AND EXPERTS:** Sir Maurice Hankey, G.C.B., Sir Sydney Chapman, Sir Edward Grigg, K.C.V.O., C.M.G., Mr. Maxse.

*France:* M. Barthou, M. Barrère; **SECRETARY AND EXPERT:** M. Massigli.

*Italy:* Signor Schanzer; **SECRETARY AND EXPERT:** The Marquis Visconti Venosta.

*Japan:* Viscount Ishii, Baron Hayashi; **SECRETARY AND EXPERT:** M. Ashida.

**INTERPRETER:** M. Camerlynck.

MR. LLOYD GEORGE stated that he had ventured to invite his colleagues of the inviting Powers to this meeting because he had received certain information, part of which might be regarded as certain and part as conjectural. In the first place, he had received from his Foreign Office<sup>1</sup> the same news that had appeared in the Paris press, to the effect that there had been some discussion between the Russians and Germans as to a military convention at the same time as they had negotiated the other treaty.<sup>2</sup> He need hardly point out that if this was true it was a very serious situation. He very much doubted, however, whether such a military convention had actually

<sup>1</sup> This information was conveyed to Mr. Lloyd George in Foreign Office telegram No. 14 of April 19, 1922 (N 3583/646/38).

<sup>2</sup> i.e. the Treaty of Rapallo (see No. 75, n. 1).

been concluded, although he would be very surprised to hear that it had not been discussed.

Secondly, he wished to inform his colleagues as to the result of his conversations with Dr. Wirth and Dr. Rathenau yesterday.<sup>3</sup> He had definitely proposed to them formulæ which he had hoped would enable them to withdraw the Russo-German treaty. He had emphasised in his conversation with Dr. Wirth that the German delegation must either withdraw the treaty or refrain from taking any further part in the discussion of Russian affairs in the conference. Dr. Wirth promised him to go and see the Russians and to endeavour to persuade them to let the Germans off. Last evening he heard, however, that M. Chicherin had frankly told Dr. Rathenau that the Russians had got hold of a good thing and would be fools to let it go. They therefore absolutely declined to let the Germans off.

He had, however, received information<sup>4</sup> which led him to believe that the Germans were willing to agree to the terms of the Allied note,<sup>5</sup> i.e., that if they could not get the Russians to allow them to withdraw the treaty, then they would agree to take no further part in the Russian work of the conference. If this was, indeed, what happened, he and his colleagues could be quite satisfied, as they had gained all that they had asked for. He had heard, however, that the Germans would really prefer to withdraw the treaty, and last night they had asked<sup>6</sup> if the British delegation could bring any pressure to bear on the Russians to let the Germans off. He would like the views of his colleagues on this point, but, in any case, it appeared clear that the Germans realised that they must accept the terms of the note.

<sup>3</sup> See No. 78.

<sup>4</sup> At a meeting with Sir P. Lloyd-Greame and Mr. J. D. Gregory at 8 p.m. on April 19, 1922, Dr. Rathenau had reported a conversation with M. Chicherin. The record (S.G.9) of Dr. Rathenau's statement runs: '[M. Chicherin] had point blank refused to consider for a moment the withdrawal of the Russo-German treaty. Dr. Rathenau had then suggested that the difficulty might be met by postponing the immediate application of the treaty and making it part of the general Act which the Genoa Conference would eventually conclude. To this M. Chicherin returned no answer. It was physically impossible for the German delegation to take any further action. They must now consider their future action. Withdrawal of the treaty being ruled out as impossible, all that remained was to consider whether the German delegation should remain in Genoa and take part in the work of the conference other than Russian, or whether they should withdraw altogether.'

<sup>5</sup> Of April 18 (see No. 76, Appendix II).

<sup>6</sup> This information was conveyed to Mr. Lloyd George by Sir Edward Grigg on April 19 in the following note (S.G.10): 'M. Moritz Bonn, a financial member of the German delegation, well known to Mr. Brand, Mr. Philip Kerr and me for many years, has just asked to see me through Mr. Brand, and I have had a talk with him in Mr. Brand's room.'

'He brought an unofficial message from Dr. Wirth—that he wants to come to a settlement, but cannot withdraw the treaty unless the Russians agree to a joint withdrawal. He says the Russians will not do this at present, but believes they will do it on a hint from you.'

'I said I would let you have the Chancellor's message at once, but he must understand that I expressed no opinion on it of any kind.'

'It is quite evident that Dr. Wirth, [who] feels he cannot in loyalty to a colleague throw over Dr. Rathenau, is seeking for a way out, and would prefer this to withdrawing from the First Commission.'

M. BARTHOU wished to make one preliminary observation on the character of this meeting. Mr. Lloyd George had been kind enough to ask them to lunch, and he would suggest that this conversation was considered as a part of the lunch, and was not a formal meeting at which decisions were taken. He made this suggestion because, since they had invited Poland and the Little Entente to discuss with them joint action *vis-à-vis* the Russo-German treaty,<sup>7</sup> he did not think that the inviting Powers were entitled to take decisions in their absence. He therefore suggested that they should talk perfectly freely and frankly, but should make the conversation an informal part of the luncheon.

Some discussion followed as to the practical possibility of getting the delegates of the Little Entente to the Hotel Miramare. In the end it was decided that messages should be sent to the Little Entente, Poland and Portugal asking their delegates to come if possible to lunch, and, if not, at 2.30 P.M.

M. BARTHOU, continuing, said that in these circumstances he could express the French point of view. He would leave aside the conjectural information, for which, however, he wished to express his thanks to Mr. Lloyd George, and he would only add that Mr. Lloyd George's information tallied with his own. His colleagues were then faced with two problems, their attitude towards Germany and their attitude towards Russia. He recalled the terms of the note which had been sent to Germany, and he felt sure that nobody would desire to go back on this note, which was the considered opinion of the Allied Powers on the situation. They had, indeed, already agreed to soften the wording, and that was as far as they could possibly go. It was impossible to retrace their steps. With regard to the German suggestion that they should bring pressure to bear upon M. Chicherin, he thought it would be very dangerous for the Allies to interfere in the relations between the Russian and German delegations. He felt that he had gone as far as he could possibly go, and it was a long way, in agreeing to the private conversations with the Russians, but if they were to go a stage further, and act as intermediaries between the Germans and the Russians, the situation would be very difficult, and he therefore asked Mr. Lloyd George not to press the point.

As regards the Russians, he recalled that last Saturday they had been given a very precise and well defined formula<sup>8</sup> for their acceptance. The time had now come, he thought, when they should be asked definitely for their views on all questions, not only those of debts. Their attitude towards the whole of the Cannes resolutions<sup>9</sup> should now be clearly defined. The alternative was an interminable debate, which would consider the whole agreement point by point, and would last for ever. We must face the realities, and make the Russians realise the actual position in which they stood.

To sum up, he thought that as regards Germany, she must take her responsibility herself; and that as regards Russia, she should be formally asked, within a definite time limit for a categorical 'yes' or 'no' as to whether she accepted the Cannes resolutions.

<sup>7</sup> See No. 76.

<sup>8</sup> See No. 74, Appendix.

<sup>9</sup> See No. 6, Appendix.

SIGNOR SCHANZER said that he had certain information to give his colleagues. Yesterday afternoon the Germans had sent an official to inform him [of] the result of the Rathenau-Chicherin conversation. As Mr. Lloyd George had said, M. Chicherin was indisposed to withdraw the treaty, and the German official had made the same suggestion to him, that pressure should be brought to bear on the Russians. He completely agreed with M. Barthou on this point, and he had, indeed, replied immediately to the German representative that this course was quite impossible. He had further pointed out that, apart from anything else, such a move would most probably be a complete and utter failure.

This morning Dr. Rathenau had come to see him and had spoken to him at the Palazzo Reale at considerable length. They had, however, succeeded in arriving at no definite result. Dr. Rathenau had spoken of the very difficult situation in which Germany found herself at the present moment, and had referred to the practical impossibility of Germany being able to make the payments demanded at the end of May, in connection with which he made some reference to a loan. He had threatened that Germany would completely withdraw from the conference. In short he had made a long story of all the difficulties with which Germany was faced. He (Signor Schanzer) had merely replied that the points which Dr. Rathenau had raised were outside the scope of the conference, and points upon which he could express no opinion.

BARON HAYASHI expressed himself in complete agreement with M. Barthou's suggestion, which he thought was the right one.

M. THEUNIS said that as regards Germany he felt that Dr. Rathenau had made an impossible position for himself, and he was now faced with the very difficult choice of getting the Russian treaty withdrawn or taking no further part in the work of the conference. He would observe that it was now the twelfth day of the conference, and although he did not himself attach much importance to the clamour of the press (and, indeed, he would observe that his own press was comparatively quiet; upon which M. Barthou asked him for the secret of keeping the press quiet) there could be no doubt that the impression was growing both in Genoa and outside, that the conference had been stopped, not so much by the Russo-German treaty as by the Russians themselves by their delay in answering a very clear point. He pointed out that not only was this formula very clear, but it was a very favourable interpretation to them of one of the Cannes resolutions. He therefore suggested that we should ask the Russians for a definite reply within a very short time, pointing out that we could not wait here for ever.

If the reply to this was favourable, he agreed that the whole of the rest of the questions should be taken *en bloc* and put to the Russians. If these in their turn were satisfactorily replied to it would then be necessary for the other Powers to examine what they could do to help in the reconstruction of Russia. It was not a solution of the Russian question, merely to get a set of satisfactory guarantees from the Russian Government. Some action on the part of the other Powers was necessary in order to help the Russians out.



Russia could not get out of the terrible position in which she now was without the help of others. It was necessary that the other Powers should have a definite plan which could be communicated to the Russians so that the latter could see that they were going to receive real help. He suggested that the reorganisation of Russian railways was a very good practical example of what might be done.

The Russian delegation could not possibly wire back to Moscow and say, 'We have recognised our debts, we have restored private property to foreigners, we have given guarantees for the future, and we have got nothing.'

He did not think that this would necessarily take a very long time. It would, however, be necessary to keep to a very strict time-table. But it ought not to take long to get a concrete though not necessarily detailed plan which could be shown to the Russians as their recompense for being good.

MR. LLOYD GEORGE said that though they had now disposed of the German incident, and it could be regarded as satisfactory since the Allied point of view had triumphed, he would like to mention that he understood that Dr. Rathenau's colleagues were angry with him; indeed, the Finance Minister,<sup>10</sup> who was not present in Genoa when the treaty was concluded, had been perfectly furious when he arrived and learned all about it.

As regards Russia, he agreed with M. Barthou that it was necessary to bring things to a head, and he also wished to endorse everything M. Theunis had proposed. Yesterday the Russians had sent him semi-official information through a liaison officer whom they knew well and who had, in fact, acted in London as liaison officer between His Majesty's Government and M. Krassin.<sup>11</sup> From this report it was perfectly clear that the Russians would accept. By a curious chance the only point they raised was the point which M. Theunis himself had just raised. They pointed out that they could not go back to Moscow and hail an agreement, by which they recognised their foreign obligations, as a triumph for Soviet diplomacy. They had to show something for it, and this was a logical and reasonable point of view. It suited them, and incidentally it suited us, to open up this great country again. However, our note only contained principles and the Russians wanted to discuss certain details; firstly, as regards the duration of the moratorium, which was undefined in the formula which was given to them on Saturday. They also wanted further precision on the points regarding the remittance and gradual application of interest. All these details could obviously be settled once the principles had been accepted. The Russians accepted the principles of Cannes without demur, but they wanted to know what Europe was going to do for them. He (Mr. Lloyd George) had instructed his liaison officer to tell them that as regards Great Britain it was obviously impossible for him to go to the House of Commons and ask for enormous special credits for them, but what we could do would be to include them in the list of countries for which we had already taken up credits in order to assist their trade. As regards Belgium, of course he could not give them any definite information

<sup>10</sup> Dr. Hermes.

<sup>11</sup> Mr. Lloyd George was presumably referring to Mr. Wise (cf. No. 72, n. 11).

but he understood from M. Theunis that Belgium was willing to interest herself in the reconstruction of Russian transport, but he naturally made it clear that this statement in no way committed the Belgian delegation. As to France and Italy, he could give them no information.

What, then, have the Allies to do? M. Theunis was right; this was the twelfth day of the conference and progress had only been made in clearing away the preliminary difficulties. It was high time that the conference came to grips with the real problems. His own opinion was that it would not be a practical way of doing business to discuss all these details in Sub-Commission No. 1. It was no good to talk about the reconstruction of Russia in a conference of fifty people. M. Chicherin, he understood, was going to accept the recognition of debts and to recognise the rights of foreign nationals to private property and to pay compensation where the property could not be restored. If this was the case, they must get down to the details. M. Chicherin had pointed out the difficulties in connection with private property which M. Krassin had previously pointed out at the Villa d'Albertis.<sup>12</sup>

His suggestion for dealing with the situation was that the Allied experts should meet the Russian experts, and that this meeting of experts should thrash out the application of the principles, in particular as regards the moratorium, private property, and security for the future, and further, that this meeting should be charged with the duty of giving concrete shape to what could be done by Europe for the reconstruction of Russia. The British delegation was perfectly prepared to put all their cards on the table if the other Powers would do the same.

He called the attention of his colleagues to the fact that the external enemies of the conference were doing all they could, and bringing every influence they possessed to bear, in their effort to bring about the break-down of the conference. These people had been delighted with the Russo-German treaty, and had said 'Hooray, this is the end of the conference.' They had been equally delighted with M. Chicherin's obstinacy which they hoped would mean a similar end to the conference. This was not the spirit in which to approach the task of the reconstruction of Europe and Russia. He suggested that they should take no notice of the wild clamourings of irresponsible people outside, but they should approach the problem in a business-like spirit. The detailed work would best be done by the experts, and naturally submitted to No. 1 Commission, because, of course, the neutrals and the other Powers could not be left out in the cold.

He did wish to say, however, that he did not think that a roomful of fifty people was a suitable body to discuss intricate detail.

M. BARTHOUS said that he was not impressed by outside yelping; indeed, he would not hear it. He agreed with Mr. Lloyd George, but he wished to ask one question about the experts' meeting. He assumed that it would only take place after a definite answer had been received from the Russians. He could not go on any longer having informal conversations with the Russians—a process which had been rendered very difficult and dangerous by the

<sup>12</sup> See No. 72.

Russo-German incident. He would, therefore, suggest that the Russians should be asked by Signor Schanzer, as president of the conference, to give a written answer which could be examined conjointly by the Allies, and that the future procedure would depend on that reply being precise and definite. He would like to add that it was necessary to have the experts of the Little Entente and the neutrals at this meeting of the experts. Attention must be paid to the position of the neutrals, who were in a very delicate situation, especially since the convening Powers had called in Poland and the Little Entente to their assistance in connection with the Russo-German treaty. Many of these neutral delegates were eminent men whose sole contribution to the work of the Genoa Conference hitherto had been to sit and listen to the big Powers in the very formal inaugural session, and to attend one sitting of the First Commission which appointed a sub-commission. It was absolutely essential that these neutrals should be admitted to the labours of the conference, otherwise there was a risk of a very painful protest being raised. Some thing must be done for them to enable them to save their dignity.

To sum up, he thought that we should first get hold of the Russian reply; we should then examine it, and, if it was satisfactory, summon an experts' meeting.

VISCOUNT ISHII quite agreed with the general lines of Mr. Lloyd George's proposal, but he wished to call special attention to the point raised by M. Barthou as to the necessity of inviting the neutral States. He, himself, had recently been placed in a very difficult position when the private conversations had been held at the Villa d'Albertis. Japan had not been represented at these meetings, and, though he did not wish to reproach his colleagues, he felt that he must point out that the result of these meetings had been to send a note<sup>13</sup> to the Russians which Japan could not agree to. Moreover, he was under the impression that the Russians had been told that Japan agreed to the note, and that it, therefore, represented the views of the convening Powers, if not of all the countries represented at Genoa. In these circumstances they had had to consult their Government, and their position had been so embarrassed that it had been necessary for them to make a formal protest.<sup>14</sup> He, therefore, hoped that the Japanese experts would be included among the experts at the forthcoming meeting.

SIGNOR SCHANZER accepted Mr. Lloyd George's proposal and agreed with M. Barthou's comments. He desired, however, to give Mr. Lloyd George an answer to the question which had been previously raised as to what Italy could do for the reconstruction of Russia. He was unable to give any details—which was really a matter for the experts—but he recalled that when the international corporation<sup>15</sup> had been formed Italy had declared that she was willing to take her full active share in the work of reconstruction, and to participate in the international corporation or any other body which might be formed for the purposes of reconstruction. He wished also to thank M. Barthou for his observations on the position of the neutrals, in which, as acting president of the conference, he heartily concurred.

<sup>13</sup> See No. 74, Appendix.

<sup>14</sup> No. 74, n. 22.

<sup>15</sup> See No. 44, Enclosure I (under heading 'Preliminary Sketch for a Draft convention').

As regards M. Barthou's suggestion as to the method of obtaining a written and concrete reply from Russia, the form in which this request should be made was of some importance. If his colleagues desired him to do so, he would certainly not refuse to ask the Russians, but he wished to point out that since the conversations which led up to the question being put to the Russians had been private and informal, he could not very well, as president of the conference, write officially to the Russians and send a demand for an answer to this question on behalf of the whole conference. He would prefer that all the Powers taking part in the private conversations should send a collective request. (M. BARTHOUS here interjected that he quite appreciated Signor Schanzer's point, and he would agree to whatever course seemed best.)

(When this speech was being translated, SIGNOR SCHANZER said that perhaps the best alternative would be for Mr. Lloyd George himself to ask the Russians for this written reply. He thought that this course would be the most effective.)

With regard to Japan's position, which it was necessary should be cleared up, he wished to point out that the note which had been sent to Russia was not an official note; it was merely a formula which had been drawn up as a result of private conversation, and which embodied the points upon which we required specific information. The note was unsigned, and, in these circumstances, he did not think that Japan had any really serious grounds of complaint.

In conclusion, he wished to ask his colleagues whether it would not be better, instead of sending an official demand to the Russians, to send a semi-official request. If it was to be official, he would suggest that the secretaries of the delegations should jointly draft a letter, but if it was to be semi-official, he could undertake it himself, or, as he thought would be rather better, Mr. Lloyd George might undertake to do it.

MR. LLOYD GEORGE said that as regards the Russian answer there was no difficulty. He understood that the Russians were preparing a note, and that it would probably be delivered in the course of the day. The simplest way, therefore, would be to telephone to the Russians (he did not think it necessary to send an official) and to ask them when the reply might be expected.

He agreed with M. Barthou that the neutrals must be given a fair share in the labours of the conference, but he would point out that the Allied interests in Russia were by far the greatest, and that Japan's interests also were not negligible. Further, that credits for Russia would come almost entirely from the Allied Powers. (SIGNOR SCHANZER here interjected that Holland would probably provide considerable credits.)

MR. LLOYD GEORGE, continuing, said that he proposed that there should be a meeting of the First Sub-Commission to-morrow which should appoint a sub-committee of experts. He suggested two experts to each convening Power, and one to each of the other four Powers represented. That made fourteen. The Russians would probably require three or four, and that

would mean a meeting of some fifteen to twenty persons, which he thought was getting dangerously large for rapid business.

He did wish to observe, however, that this was the only conference at which informal conversations had ever been challenged. There were informal conversations at Washington, and, speaking from a long experience of conferences, there had not been one which had been brought to success without informal talks. At a conference like this anyone was free to go and talk the situation over with M. Chicherin or anybody else if they liked. He repeated that he thought it had been a pity that the experts' meeting had swollen to such dimensions, but if it was increased beyond this it would keep M. Barthou and himself at Genoa far longer than they wanted to remain, and it would not assist in the rapid achievement of practical results. He personally had no doubt that if a meeting of the First Commission was summoned for to-morrow, and the proposal was put to them that they should appoint a very small body of experts to thrash out the details they would certainly agree.

After this speech had been translated there was a short discussion as to the possibility of the convening Powers doing with one expert only, but it was agreed that this would be very difficult.

It was also suggested that the committee of experts might itself sub-divide into smaller sub-committees in order to thrash out the separate points of the problems, but MR. LLOYD GEORGE pointed out that the Russians were in a different position to the others; not only were they alone and, therefore, could not sub-divide themselves very easily, but also the different Russian delegates did not trust each other. M. Krassin did not trust M. Litvinoff; M. Litvinoff did not trust M. Krassin, and M. Chicherin trusted neither, and all three were perfectly justified.

M. THEUNIS suggested that if the Russians were being communicated with by telephone the hope should be expressed to them that their note would contain a complete, final and clear answer, and that there would be no need for any further informal meetings.

SIGNOR SCHANZER pointed out that he could issue the invitation in time for No. 1 Sub-Commission to meet to-morrow, but he thought it a rather dangerous proceeding until we had actually got the text of the Russian note in our possession and had examined it.

M. BARTHOUS suggested that if the Russians were going to be telephoned to at once they might be told that if the note was ready it should be sent direct to the Hotel Miramare, in which case they could examine it that afternoon.

*(The meeting then adjourned for luncheon.)*

I.C.P. 243] *British Secretary's Notes of an Informal Meeting held at the Hotel Miramare, Genoa, on Thursday, April 20, 1922, at 2.30 p.m.*

PRESENT: *Belgium*: M. Theunis, M. Jaspar; SECRETARIES AND EXPERTS: Viscount Davignon, Viscount Terlinden.

*British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P., The Rt. Hon. Sir R. Horne, G.B.E., K.C., M.P., The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P., Sir Philip Lloyd-Greame, K.B.E., M.C., M.P.; SECRETARIES AND EXPERTS: Sir Maurice Hankey, G.C.B., Sir Sydney Chapman.

*Czechoslovakia*: Dr. Benes.

*France*: M. Barthou, M. Barrère; SECRETARY AND EXPERT: M. Massigli.

*Italy*: Signor Schanzer; SECRETARIES AND EXPERTS: The Marquis Visconti Venosta, Signor Jung.

*Japan*: Viscount Ishii, Baron Hayashi; SECRETARY AND EXPERT: M. Ashida.

*Jugoslavia*: M. Ninčić.

*Poland*: M. Skirmunt.

*Portugal*: M. M. Gomes.

*Roumania*: M. Bratiano.

INTERPRETER: M. Camerlynck.

(This meeting took place at the table, immediately after a *déjeuner* given by Mr. Lloyd George.)

### *The Russo-German Treaty.*

MR. LLOYD GEORGE said they had not much time, as he had another meeting at 4 P.M. That morning a short meeting had been held of the inviting Powers<sup>1</sup> to receive reports regarding the German reply. He recalled that the note<sup>2</sup> to the Germans had stated that in consequence of their separate action towards Russia they ought not to take part in the further discussions between the Russians and the other Powers. Signor Schanzer had seen Dr. Rathenau, and so had he.<sup>3</sup> He himself had pressed Dr. Rathenau to withdraw the Russo-German treaty. After consideration, they had replied that they would withdraw if the Russians would agree. They could not do it otherwise, as the Russians had also signed the treaty. The alternative was that they should take no further part in the meetings in regard to Russia of the Sub-Committee of the First Commission. The Germans had now let him know that they had endeavoured to induce the Russians to withdraw, without success.<sup>4</sup> The Russians had refused. He himself had private information to the same effect, and that the Russians regarded the treaty with Germany as a good bargain. He now had information that the Germans did not propose to

<sup>1</sup> See No. 79.

<sup>2</sup> See No. 76, Appendix II.

<sup>3</sup> See No. 78.

<sup>4</sup> See No. 79, n. 4.

attend the meetings of the Sub-Committee of the First Commission in regard to Russia. Those who had discussed the matter this morning felt that if the Germans withdrew from the discussions of the sub-committee in regard to Russia there was no more to be said. The Germans would prefer to get the Russians to allow them to withdraw the treaty, and had suggested that the Allies should put pressure on the Russians,<sup>5</sup> but the representatives of the inviting Powers had felt that this was not their affair and they could not undertake it. They felt it would be better to let matters stand where they were, and for the Germans to withdraw from the discussions of the sub-committee in regard to Russia.

SIGNOR SCHANZER said that, for the sake of clearness, as Mr. Lloyd George had spoken of withdrawing from the sub-committee, the only intention was that the Germans should withdraw from the discussion of Russian affairs at the sub-committee, but they would sit on the commission and the sub-committee when other affairs were under discussion.

MR. LLOYD GEORGE said that no reply had been received from the Russians yet, but it was proposed that the sub-committee should meet on the following day at 11.30.

M. BARTHOU said that, on Mr. Lloyd George's hypothesis that the Russians would accept, the procedure would be as follows:—

First, the arrival of the Russian reply.

Second, an examination of the reply in private, which might take place at 10.30 at the Palazzo Reale.

Third, an examination of the Russian reply in full sub-committee at, say, 11.30.

M. BRATIANO suggested that one hour was too short a time to allow.

M. BARTHOU pointed out that there were advantages, in the present state of feeling, in meeting soon; otherwise he would have no objection to 3 P.M.

MR. LLOYD GEORGE said that the feeling was growing that the conference was splitting into four parties: the Allies, the neutrals, the Russians, and the Germans. On the subject of Russia the neutrals were entirely with the Allies, and made the same demand. They were all anti-Bolshevik. As a matter of fact it would be better if all the delegates on the sub-committee were to meet in the morning, except the Russians. This only meant adding M. Branting and M. Motta. There could be no complaint if all these parties met together, since the sub-committee was really divided on this question into two sides, the Russians and the others. Hence, it would be advisable to have the neutrals.

SIGNOR SCHANZER said, 'Except the Russians.'

MR. LLOYD GEORGE agreed. The Russians were constantly meeting separately, and could not possibly complain.

M. BARTHOU agreed.

M. BRATIANO said that he understood the meeting in the morning would be an unofficial one between the members of the sub-commission, including neutrals. In the afternoon there would be a meeting with the Russians.

<sup>5</sup> Ibid., n. 6.

M. BARTHOUS said that was the correct procedure. The Russian reply might not be acceptable, and they might want the whole morning to discuss it. He agreed that there should be the informal meetings in the morning and the other meeting in the afternoon. He understood the meetings would be at 10.30 in the morning and at 3 P.M. in the afternoon.

It was agreed—

That an informal meeting of the members of the Sub-Committee of the First Commission, other than the Russians, should take place in the morning at the Palazzo Reale at 10.30, to consider the Russian reply, and that the full sub-committee should meet in the afternoon at 3 P.M.

*Hotel Miramare, Genoa, April 20, 1922.*

## No. 81

s.G. 11] *Conversation held at the Villa d'Albertis on Thursday, April 20, 1922, at 5.30 p.m.*

PRESENT: *British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P., The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P., Sir Edward Grigg, K.C.V.O., C.M.G., Mr. Wise.

*Russia*: M. Chicherin, M. Krassin, M. Litvinoff.

THE PRIME MINISTER began by saying he was sorry they [the Russians] could not see their way to letting the Germans off their treaty.<sup>1</sup> The gesture of the joint withdrawal of the treaty would have restored confidence. As things were they were keeping the Germans off the First Commission, and the French were, of course, delighted. The French, indeed, were hoping that the treaty would not be withdrawn. He did not wish to dwell on the subject, but he wished they could see their way to getting the treaty out of the road of the conference.

With regard to their own affairs, the First Sub-Commission would meet to-morrow to discuss their reply. There would be a preliminary meeting at which all the members except Russia and Germany would be present and a formal meeting with the Russians in the afternoon. The meeting in the afternoon would not last five minutes if the Russian reply were not acceptable.

Sir Laming Worthing[ton]-Evans would take charge of the details of the negotiation when once the principles were settled. He had been mostly concerned in the discussion of the international corporation<sup>2</sup> and of the possibility of giving credits to Russia.

With regard to the points of their draft reply (see B.E.D. 263<sup>3</sup>), he made the following observations:—

1. The phrase 'write off war debts' was not acceptable. They must substitute 'write down'.
2. The restitution of private property or compensation was essential.

<sup>1</sup> Cf. No. 79.

<sup>2</sup> See No. 79, n. 15. See also Nos. 13 and 16.

<sup>3</sup> Not printed. For the Russian amended reply, see Appendix.



They must get the Russian market in London to support them. Otherwise credits would be unobtainable. The City had money, but would only come in when the people originally interested in Russian trade were satisfied with the conditions. Prague and Czechoslovakia had just raised successful loans, whereas Germany had failed. It was essential to get the City on the side of settlement.

As to the difficulties raised by M. Krassin the other day,<sup>4</sup> he understood them perfectly. He also understood their political difficulties. All we asked was for compensation if restitution was impossible. That would not interfere with the control of their internal policy.

There were three countries which could raise credits for them, omitting the United States, which were not in the picture at present. The first was the United Kingdom, which had money and also existing legislation<sup>5</sup> supplying guarantees for foreign trade and exports. Russia could be included in these schemes when the agreement was made. Roumania, for instance, had made successful progress under the scheme. Secondly, there was Belgium, a very rich country with no war debt and wonderful industries. Belgium would certainly help. Thirdly, there was France, but France would not come in or the United States later on unless restitution or compensation were agreed to. It was a question of principle. Methods and conditions could be discussed afterwards. France was not very anxious for a settlement, but, in his opinion, once they made a deal they would come in with cash and with real assistance. There was a greater gap in France between the big industrials and the Government than elsewhere, but if they overcame the difficulties of the politicians the industrials would come in.

The more countries they got, the less they would have to pay for the money they needed. It was essential to satisfy the small politicians in France and then they would get French money. German industrials could do nothing without the support of the three Powers he had mentioned. They could not get raw materials without foreign credits. We should be quite ready to work with the Germans if a settlement were secured. It was essential that we should have a letter enabling us to give Russia credits.

If the Russian reply was satisfactory as a basis, he was going to propose to-morrow the election of three or four experts to represent all the countries forming the First Sub-Commission. The Russians could have three or four on their side and could thus discuss in a very practical manner their needs and the detailed method of supplying them. He knew quite well that they could not go back with a settlement which provided only an acknowledgment of debts. Our proposals for assistance were, however, ready in definite form and he had invited the Belgians to have proposals ready too.

M. CHICHERIN said that they had left out all reference to restitution of property or compensation because the Prime Minister had said the subject was reserved for future discussion. They would be very sorry to break down on a small point, but nationalisation was a point of principle on which their people were deeply set. It was very difficult to make a difference between

<sup>4</sup> See No. 72.

<sup>5</sup> A reference to the Trade Facilities Act, November 10, 1921.

foreigners and Russian nationals in this respect. He quoted as an **example** the abolition of slavery in the United States.<sup>6</sup> On this point their instructions were very definite. They could, of course, do a great deal; if factories were to be restarted, they could give owners the first option of restarting them; also, if factories had been embodied in big concerns, they could give the original owners shares in the concerns. But where factories were being run by workers on the new system, they could not do anything at the moment. Could the Prime Minister not find a formula leaving the question for future settlement?

**THE PRIME MINISTER** said it was also a question of principle with us. There would be no future unless this were agreed to now. His own colleagues, the Lord Chancellor, Sir L. Worthington-Evans and all were entirely committed on it, as he was himself. It was a very difficult point, but the Russians must get over it. He thought they were really swallowing a camel and straining at a gnat.

**M. CHICHERIN** said Professor Keynes<sup>7</sup> had told them there was a religion of finance the tenets of which they must accept.

**SIR L. WORTHINGTON-EVANS** said this was one of the fundamental conditions laid down at Cannes.<sup>8</sup>

**THE PRIME MINISTER** agreed. Sir Robert Kindersley,<sup>9</sup> a very liberal financier, had insisted on it as an absolute necessity. Everybody had fastened on to the absence of this in the draft Russian reply as a fatal omission.

**M. CHICHERIN** insisted that their instructions were absolutely definite, and **M. KRASSIN** observed that there was no difficulty with regard to certain industries, for instance, timber, oil and coal.

**THE PRIME MINISTER** said that if those big industries were covered the point of difference was really reduced to very small proportions, inasmuch as they could certainly restore factories which were not working now. Could not some method of compensation be found for the few remaining cases?

**M. LITVINOFF** said that it would be much easier in practice than in theory.

**THE PRIME MINISTER** said that was exactly our own difficulty.

**M. LITVINOFF** asked if it could not be left for settlement by the Russian Government.

**THE PRIME MINISTER**: 'Yes.' The form and method could be left to the Russian Government provided the principle was accepted. Why could they not accept Mr. Wise's formula<sup>10</sup> which referred only to foreign interests? They were really buying something, making a bargain, and we were offering them a consideration on our side. If they refused, they would alienate the people most necessary to the reconstruction of Russia.

**M. CHICHERIN** said that was why they wanted to defer the question, their

<sup>6</sup> i.e. in December, 1865.

<sup>7</sup> John Maynard Keynes, H.M.G.'s Chief Treasury Representative at the Paris Peace Conference and author of *The Economic Consequences of the Peace*, published in 1919.

<sup>8</sup> See No. 6, Appendix.

<sup>9</sup> See No. 8, n. 1.

<sup>10</sup> Presumably Mr. Wise had drafted the document printed as Appendix to No. 74.

instructions being absolutely against the acceptance of obligatory compensation.

THE PRIME MINISTER said he was not suggesting obligatory but contractual compensation.

M. CHICHERIN asked whether it would not be possible to remit the subject for discussion between foreign nationals and the Russian Government.

THE PRIME MINISTER agreed, provided they gave a promise to meet them in some way or other.

M. CHICHERIN said he was bound by quite definite instructions.

THE PRIME MINISTER said that he was equally bound—hand and foot. It was necessary for them to take some risks, and they had already taken much greater ones.

M. CHICHERIN said they could only carry out what their Government approved.

THE PRIME MINISTER said of course everything was subject to ratification by their various legislatures, but Parliament would support him on the principles laid down at Cannes. He could not, however, go further, and the meeting to-morrow would not last an hour unless they had a satisfactory answer on this point. He pointed out that they had not really accepted very much in the way of liabilities as yet. The moratorium<sup>11</sup> made the position very easy for them. Russia seemed to him like a cart which had got into a rut. Once it was lifted out it would run, but the organised resources of the West were necessary to lift it out. He suggested they should discuss the matter in private together for a few minutes.

After the adjournment, and some further discussion between the Russian representatives and Sir L. Worthington-Evans, the modifications given in the letter as attached (see appendix) were adopted.

THE PRIME MINISTER saw the Russian representatives as they were leaving and said that he would put their draft before the sub-commission next day. He feared, however, that it would not be acceptable.

*Hotel Miramare, Genoa, April 21, 1922.*

#### APPENDIX TO No. 81

##### *Letter from M. Chicherin.*

Sir,

*April 20, 1922*

The Russian delegation have carefully considered the proposals of the Allied Governments laid down in the annex to the minutes of the 15th April,<sup>11</sup> and have been, in the meantime, in consultation with their Government upon this subject.

The Russian delegation are still of the opinion that the present economic condition of Russia and the circumstances which are responsible for it should fully justify the complete release of Russia from all her liabilities mentioned in the above proposals by the recognition of her counter-claims. However, the Russian delegation are prepared to make a further step towards finding a solution for the adjustment of the differences, and to accept items 1, 2 and 3 (a) of the

<sup>11</sup> See No. 74, Appendix.

above-mentioned annex, provided (1) that the war debts and the arrears of interests or postponed interests of all debts are written down, and (2) that adequate financial help is given to Russia to assist her to recover from her present economic state in the shortest possible period.

Foreign financial help is absolutely essential for the economic reconstruction of Russia, and, as long as there is no prospect of this reconstruction, the Russian delegation cannot see their way to put upon their country the burden of debts which could not be discharged.

With regard to (b), subject to the provisions above, the Russian Government undertakes to restore to its former owners the use of property, nationalised or withheld, or where this is not possible, then to satisfy the just claims of the former owners either by mutual agreement with them direct or in accordance with arrangement, the details of which will be discussed and agreed during the present conference.

The Russian delegation wish also to make it clear, although it seems to be self-evident, that the Russian Government could not admit liability for the debts of its predecessors until it has been formally recognised *de jure* by the Powers concerned.

Trusting that you will find the above proposals to be a sufficient basis for the resumption of the discussion.

## No. 82

I.C.P. 244] *British Secretary's Notes of an Informal Meeting held at the Palazzo Reale, Genoa, on Friday, April 21, 1922, at 10.30 a.m.*

**PRESENT:** *Belgium:* M. Theunis, M. Jaspar; **SECRETARIES:** Viscount Davignon, Viscount Terlinden.

*British Empire:* The Rt. Hon. D. Lloyd George, O.M., M.P., The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P., Sir Philip Lloyd-Greame, K.B.E., M.C., M.P.; **SECRETARY:** Sir Maurice Hankey, G.C.B.

*France:* M. Barthou, M. Seydoux; **SECRETARY:** M. Massigli.

*Italy:* Signor Schanzer; **SECRETARIES:** The Marquis Visconti Venosta, Dr. Giannini, Signor Jung.

*Japan:* Baron Hayashi, Viscount Ishii, M. Kengo Mori.

*Poland:* M. Skirmunt.

*Roumania:* M. Bratiano, M. Diamandy.

*Sweden:* M. Branting; **SECRETARIES:** M. le Baron Hamilton, M. Georges Branting, Jr.

*Switzerland:* M. Motta; **SECRETARY:** M. Sonnenberg.

**SECRETARY-GENERAL:** Baron Romano Avezana.

**INTERPRETER:** M. Camerlynck.

(In consequence of the very large numbers assembled in the conference room Signor Schanzer, after conferring with his colleagues, asked that all secretaries and experts should retire, with the exception of one secretary for each Power.)

*The Russian Note of April 21, 1922.*<sup>1</sup>

1. SIGNOR SCHANZER said he need not begin by giving the conference a résumé of what had happened recently, as all were well informed. He would rather ask Mr. Lloyd George if he had received any information as to the Russian reply.

MR. LLOYD GEORGE said he had received at 8.30, at the Villa d'Albertis, a short document from the Russian delegation replying to the document which had been presented to them on the previous Saturday. Before giving his colleagues the Russian answer he thought it would be useful to communicate the document to which it was an answer.

(At this point Sir Maurice Hankey handed round copies of the document in English. (Appendix I.)<sup>2</sup>)

Continuing, Mr. Lloyd George said that some of those present had seen the Russians informally<sup>3</sup> and they had expressed what was purely their own opinions in the document which had been circulated, which he thought would satisfy substantially what was regarded as most essential on the question of debts. This had been presented to the Russians on the previous Saturday. The Russians had said they must telegraph to Moscow before giving a reply. The letter he had received that morning was an answer to the document, without which it was totally incomprehensible.

(M. Camerlynck at this point read in French the text of the document handed to the Russians.)

Continuing, Mr. Lloyd George said he ought to explain that in their informal conversations the Russian delegation had put forward a counter-claim to the Allied Powers in regard to damages inflicted by the military operations supported by them in Siberia and North and South Russia.<sup>4</sup> This counter-claim amounted to 50 milliards of gold roubles, which everyone could work out in their own currency. The Russians had pressed hard for this claim to be admitted, but he and his friends had said they could not admit any counter-claims. The amount of these counter-claims actually exceeded the war debts of Russia to all the other Powers; so that if the claim were admitted, instead of obtaining something for the bond-holders, the balance would be on the Russian side. It was important to realise this, because one effect of the Russian reply which he was about to communicate was that these counter-claims had disappeared.

(Sir Maurice Hankey then handed round copies, in English, of the Russian reply, which was translated by the interpreter. (Appendix II.)<sup>5</sup>)

Mr. Lloyd George, continuing, said he ought to add that on the previous evening the Russian delegates on their way back from Genoa, had called at the Villa d'Albertis with a reply<sup>6</sup> to the document which had been handed to them. He himself had opened it and had found that they had made no reference at all to article 3 (b) of the document in Appendix I. It also

<sup>1</sup> No. 81, Appendix, where it is dated April 20, 1922.

<sup>2</sup> Not here reproduced (see No. 74, Appendix).

<sup>3</sup> See No. 72, No. 73, n. 2, and No. 74.

<sup>5</sup> Not here reproduced (see n. 1).

<sup>4</sup> See No. 73.

<sup>6</sup> See No. 81.

contained a Russian demand for a complete wiping out of war debts. He had then told the Russian delegates that it was no use him taking such a letter to the sub-committee, and that he was certain that negotiations could not proceed unless they also dealt with article 3 (b), and withdrew the proposal for wiping out debts. After a considerable discussion, which was mainly conducted by his colleague Sir Laming Worthington-Evans, the Russians had promised to send another reply of a more favourable character. This had arrived this morning. The question for consideration at this meeting was not whether the Russian document could be accepted or not. There was a good deal in the document which could not be accepted, and a number of matters which required explanation. For example, they would like to know what was meant by the words 'use of property'. Further enquiry was also needed on the question of compensation, and what was involved in the term '*de jure* recognition'. He thought that something ought to be said on the subject of a probationary period. He suggested that these details should not be the subject of discussion that morning, but that they should merely consider whether this letter from the Russians justified a rupture of negotiations. He himself thought not. He was convinced that this letter was as far as the Russians could go at the moment. As one of the Russian delegates had said to him, it was easier to make an advance in practice than in principle.<sup>6</sup> In practice they might agree to anything, but they could not agree to principles which would overturn all the principles of the revolution. If he and his colleagues had to go back to Parliament to say they had failed, the worst their Parliaments could do was to turn them out. The Russians were in a much more serious position than this if they failed. He proposed, therefore, to say that the Russian note could not be accepted, and that there were certain points on which it was necessary to pursue discussions, and that it must be thoroughly examined. He further suggested that this morning he and his colleagues should decide to appoint experts, and should agree as to which countries should appoint them. His suggestion was that five experts should be selected to go through the Russian reply, together with the London experts' report,<sup>7</sup> with experts appointed by the Russians. They could then ascertain exactly what was proposed, and report later to those who were met that morning. He would not appoint a larger number of experts. They had already seen that morning what a full committee of experts meant. There must have been a hundred people in the room before it was cleared. He would, therefore, tell the Russians that afternoon that their reply was not satisfactory, but that it was proposed to appoint five experts to go into the question with the Russian experts and see what could be done.

M. BARTHOUS said he would like to ask for a few explanations on Mr. Lloyd George's proposal. Mr. Lloyd George had recognised, and he agreed, that it was not possible to take a final decision on so serious a question that morning. He also agreed that the Russian reply was not of such a nature as to justify a rupture of negotiations. It should be regarded as a point of departure from [*sic*] new conversations and negotiations. The document posed three

<sup>7</sup> No. 56, Appendix.

questions: firstly, what does Russia give; second, what guarantees does she offer; and, third, what are the Russian demands on the Allies. These provide three sets of questions for examination. On the first point, namely, as to what Russia gave, Mr. Lloyd George had said correctly that, if it was clear on the question of debts, the document was not clear on the question of property. As regards guarantees, the document contained nothing at all. On the question of what Russia demanded from the other Powers, they asked for credits. It was clear that something must be given to the Russians. This was a question for examination. As regards *de jure* recognition, he agreed that it was impossible to examine this or grant it at once. There must be some probationary period. In substance, it was necessary to be careful not to depart from the Cannes resolutions.<sup>8</sup> He agreed that the experts might examine the question of whether these proposals could be accepted or not. He agreed with Mr. Lloyd George that it was absolutely necessary for experts to examine it, but he differed slightly as regards the method. He thought it was necessary for the five experts to meet alone first and examine what were the objections to the document presented by the Russians. Then they could report to those present to-day. Subsequently they might see the Russians. It would, however, be a serious matter for the experts to meet without having ascertained the general views of the heads of delegations on questions of principle. At first his proposal would seem to require more time. If, however, the experts came immediately into touch with the Russians there would probably be much talk and little done. On the other hand, by his plan the experts would be able to see the Russians and make proposals to the representatives present to-day.

MR. LLOYD GEORGE said that M. Barthou, with his usual penetration, had summed up four points: first, what Russia gives; second, what guarantees she offers; third, what do credits mean; and fourth, the question of *de jure* recognition. This document did not answer these questions, and was not intended to. It was merely a reply to the document handed to the Russians on the previous Saturday. This was the document for which the Russians had been asked. It was also necessary to know what the Russians would do in regard to property. How is this to be discovered without discussion? It was also necessary to know what they would do on the matter of guarantees; this could only be ascertained by seeing the Russians. He suggested, therefore, that the experts should meet the Russians, not to bargain, but to ascertain what they meant. It was unnecessary to give the experts instructions, since they had the very elaborate report reached at London and might take that as their instructions. As regards credits, it was necessary to find out what could be expected from the Russians. The British delegation knew what they were prepared to do, and probably the other delegations were in the same position. Therefore, the proposals might satisfy the Russians, but it was necessary to find this out, and how was this to be done without a meeting? He did not want the opinion of the experts on this. He wanted them to find out what was in the minds of the Russians and to tell them what

<sup>8</sup> No. 6, Appendix.

was in our minds. He hoped, therefore, that M. Barthou would agree to his proposal. He did not in the least object to the experts meeting among themselves first in order to formulate their ideas and to decide what questions to put to the Russians, but he suggested they should have the right to send for the Russians and find out what they meant. Otherwise the various delegations would be in Genoa until the end of time. It was necessary to get on with the work, and the best and quickest procedure was for the experts to meet first together and then to meet the Russians and find out exactly what they meant.

SIGNOR SCHANZER asked if M. Barthou wished to discuss this question further, or if he could accept Mr. Lloyd George's proposal.

M. BARTHOU said he agreed in what Mr. Lloyd George had said, and he was glad that he had asked for this explanation. They should send their experts to meet the Russians. It was necessary to know what the Russians wanted and how far the Powers could go to meet them. On his side, he must entirely reserve any opinion on the question of *de jure* recognition.

SIGNOR SCHANZER said that if no one wished to make any further remarks Mr. Lloyd George's proposal might be regarded as accepted. The next question was to designate the five countries which were each to appoint an expert.

MR. LLOYD GEORGE said that it had been suggested to him that he might improve his original proposal by nominating seven Powers to appoint experts, and that the experts should be chosen from the five inviting Powers, one neutral and one from the Little Entente. He did not wish anyone to form the idea that the inviting Powers wished to keep this matter entirely in their own hands. The only reason for suggesting that they should each appoint an expert was that they had been studying the matter for some time in London and had made a detailed report. He therefore thought that each of the inviting Powers should nominate an expert, and that there should be one for the Little Entente and one for neutrals. Poland would have to go into one category or another. This was really a matter between M. Bratiano and M. Skirmunt.

M. SKIRMUNT said he did not insist on representation for Poland, because Poland was in a special situation as regards Russia owing to the treaty of Riga.<sup>9</sup> He could therefore come to an understanding with M. Bratiano in regard to experts.

M. BRANTING, after conferring with M. Motta, said that Sweden and Switzerland had decided to agree that Holland should be asked to nominate an expert from the neutrals.

M. BRATIANO said that M. Skirmunt and he had agreed that Roumania should nominate an expert.

SIGNOR SCHANZER said the position was that the experts should be nominated by the five inviting Powers, Roumania and Holland. The next question was for each of these Powers to designate its expert.

M. BARTHOU nominated M. Seydoux.

<sup>9</sup> Of March 18, 1921, between Poland, Russia and the Ukraine (see *B.F.S.P.*, vol. 114, pp. 917-50).



MR. LLOYD GEORGE nominated Sir Laming Worthington-Evans.

VISCOUNT ISHII nominated M. Kengo Mori.

M. THEUNIS nominated M. Cattier.

SIGNOR SCHANZER nominated Signor Giannini. He raised the question as to whether there would be a power of substitution.

MR. LLOYD GEORGE agreed to this, which was generally accepted.

M. BRATIANO nominated M. Rosenthal.

M. MOTTA said that they would communicate the name of the Dutch expert later.

MR. LLOYD GEORGE raised the question whether the experts might not have a preliminary meeting at 2 P.M. They might then have some advice to give to the present meeting at 3 P.M.

M. BRATIANO said his expert was at Rapallo. It would be difficult for him to arrive in time.

M. BARTHOU asked what was to be the procedure with the Russians at 3 o'clock.

MR. LLOYD GEORGE said the right thing would be to tell them that the document could not be accepted in its present form, and that there were two or three things that required further examination and explanation, but that the experts of the Powers would meet the Russian experts to report on the question.

M. BARTHOU pointed out that the decision to appoint experts had affected the question. On the previous day it had been decided<sup>10</sup> to have two meetings to-day, an unofficial meeting in the morning and an official meeting of the Sub-Committee of the First Commission in the afternoon. At that time they had not before them the proposal in regard to experts to whom it was now proposed to hand over the elements of a discussion with the Russians. If they were to meet the Russians that afternoon, and he agreed that this meeting should take place in a regular and formal manner, it was important not to open up a discussion with them in regard to their note. It was sufficient to say that their proposals would be examined and that experts should be appointed for that purpose, but no general discussion must be opened up.

MR. LLOYD GEORGE said there were advantages in indicating that the Russian note did not go far enough, otherwise they might think it was accepted in principle. He did not wish to leave any doubts in their minds on this point and for his part he had considerable doubts as to the note. They should ask first that these points should be cleared up with experts. He agreed with M. Barthou that no general discussion should be entered on with the Russians, but he thought it was useful to indicate the points on which they disagreed.

M. BARTHOU agreed to this. One or two points should be indicated which were unacceptable. It was not merely a question that the note did not go far enough, but in some respects it went too far.

SIGNOR SCHANZER said they were in agreement on the character of the meeting that afternoon which should be in accordance with Mr. Lloyd

<sup>10</sup> See No. 80.

George's proposal, which had been seconded by M. Barthou; that is to say, there should be no discussion, but certain points should be indicated on which there was disagreement and which required further explanations; some points going too far and some not far enough. They should propose that these be examined by experts, who would report later. He asked Mr. Lloyd George if, in these circumstances, it was necessary to hold the meeting of experts at 2 P.M. If there was to be no discussion it was hardly necessary to ask their advice.

MR. LLOYD GEORGE agreed.

SIGNOR SCHANZER said that in view of the comparatively late hour and of the fact that the Russians had to come in from Rapallo, 3 P.M. would be too early. He suggested the meeting should be at 3.30.

MR. LLOYD GEORGE agreed.

#### *Roumanian Interest in the Russian Settlement.*

M. BRATIANO said that he had originally intended to raise an important point at the meeting that afternoon, but in view of the character of the meeting he had decided not to do so. In regard to the Russian question, Roumania was in a special position, and, as he had told the different delegations,<sup>11</sup>

<sup>11</sup> On April 13, 1922, M. Bratiano had a conversation with Mr. Lloyd George, who was accompanied by Sir Maurice Hankey, at the Villa d'Albertis (S.G.3, not printed) and, at Mr. Lloyd George's request, communicated to him later that afternoon the following memorandum: 'Since the war Roumania has not ceased adopting towards Russia the same policy as her great Allies.

'She has never taken any part in the expeditions directed against the Bolsheviks, as those of Denikin and Wrangel, [see No. 1] whose inanity she perceived since the beginning. There were only left, thus, two policies to be examined; [either] the isolation of Russia, followed until now, or an understanding with her, the latter being the aim of the actual Conference of Genoa. Roumania means to help sincerely the efforts made, in order to attain the success of this policy.

'She has, regarding the great European questions, the same interests as her great Allies, which enables her to carry on this solitary action. But she has also three more essential questions for her to solve—seeing she is a neighbour of Russia—as so to facilitate the relations with Russia.

1. Any relation *de facto* and *de jure* between two neighbouring countries implies a tranquil and recognised frontier. The Dniester frontier has been established in conformity to the principle of self-determination by the Bessarabians themselves, and is based on the historical and ethnographical principles. Furthermore, this frontier being endorsed also by a treaty signed by Great Britain, France, Italy and Japan, [see No. 40, n. 4] cannot be discussed any further. The Soviet Russia herself has raised the Bessarabian question, but [only] from time to time, when she thought it could be put forward as a compensation when Roumania asked for the restitution of the State treasury [see No. 47, n. 3], as the Soviet delegates suggested [*sic*] at the conference with our representatives at Warsaw in October 1921.

2. The restitution of the Roumanian State treasury is a question of morality and justice, and without a complete satisfaction on the same no other guarantee could be considered sufficient.

'Roumania attaches a capital importance to the State treasury, which represents the metallic stock of the Roumanian National Bank (320,000,000 fr.), as well as every valuable object of the State, institutions and private persons which were evacuated because of the invasion of the enemies' armies.

'The State treasury has been entrusted to the Russian Government as a deposit following

there were three points which specially interested her. It had been his intention at the outset of the meeting that afternoon to rise and make an explanation of these three points and of the general situation of Roumania towards the Russian discussion. Having regard for the character of the meeting, however, he would not raise them. He did not wish to put difficulties in the way of the discussions with Russia and consequently he would waive his intention. He asked his colleagues to take note, however, that he would have to raise this question at some stage, though he did not wish to do so at an inopportune moment.

SIGNOR SCHANZER said that as the Roumanian question had been raised officially it would be better to clear the matter up at once.

M. BRATIANO said he had only raised it in this informal meeting.

SIGNOR SCHANZER said that as M. Bratiano had raised certain preliminary difficulties in regard to the discussion with experts, perhaps the matter should be cleared up. The point raised by M. Bratiano was whether he should do it at once. He himself had a certain responsibility for giving an answer, so he would give his view of the question. If the question had been officially raised, he thought it would be better to pursue it, but, if not raised officially, he thought it would be better to postpone the matter.

MR. LLOYD GEORGE said that, in his view, M. Bratiano had taken a reasonable and moderate attitude in not insisting on raising the question that afternoon. He was sure that Roumania had a very special case and no general settlement could be reached until this point was cleared up. It was no use leaving it over until everything else was settled. Unless the Russo-Roumanian questions were settled, there would be no peace in Europe. The Roumanian case had a great deal in it and he thought that later on opportunity should be given to M. Bratiano to bring it before the conference. He understood that the three points related to the gold taken by Russia from Roumania, to Bessarabia and to propaganda. These must be settled presently, but he thought M. Bratiano had been right in not pressing the matter for that afternoon. This question had nothing to do with the experts who were to be appointed. He wished to say, however, that the British delegation was in

the advice and under the protection of our great Allies, and only after the Russians pledged themselves to transporting, keeping and restituting it.

'The question is, therefore, not about the obligation of paying a debt, but about the sacred duty of returning a deposit entrusted to Russia.

'This question should therefore be solved before the settlement of Russia's debts.

3. The Soviet propaganda in Roumania does not confine only in encouraging [*sic*] with subsidies with Communist ideas, but has created an organisation of plots and attempts who [*sic*] has killed and wounded over 300 civilians and 700 military, amongst whom a Minister, bishop, a general and three officers killed, the President of the Senate, two bishops, several senators and thirty-six officers wounded.

'The bombs, the infernal machines and the organised bands have not ceased trying to pass the frontier, and only a strong military cordon could stop their passage on the Roumanian territory.

'Thus, the opening of the Roumano-Russian frontier, indispensable for any transit whatsoever, implies a great danger for the security of Roumania if special guarantees were not to be obtained.'

complete sympathy with the Roumanian case and would assist M. Bratiano in bringing it forward.

SIGNOR SCHANZER agreed that full opportunity must be provided for raising the just claims of Roumania. As Mr. Lloyd George said, if M. Bratiano was satisfied now, the question might be kept over a little later.

M. BRATIANO thanked Mr. Lloyd George. He had thought it his duty to make this explanation, and he thanked the president for the promise of support when the matter was raised.

### *Georgia.*

M. BRANTING asked permission to bring before the conference a telegram he had received a few days before from M. Jordania, President of the National Government of Georgia. He then read the telegram in Appendix III. He had thought it his duty to communicate this to the conference, though he he did not know how the question was to be dealt with.

SIGNOR SCHANZER said M. Branting had made no specific proposal and had merely communicated a document for information. He thanked him for this. The situation in regard to Georgia<sup>12</sup> was highly regrettable and blood was being shed. M. Branting, however, had made no proposal. The conclusion of the telegram made a suggestion that the conference should ask the Russians to stop hostilities. He asked if anything could be done on these lines.

M. MOTTA said that the Swiss delegation had received a similar telegram. Consequently, he supported M. Branting's demand in the sense that the conference should be seized of the question and in the course of its labours should seek to do all that was possible to stop bloodshed.

M. BARTHOU said that Signor Schanzer had asked for a proposal. He would give one. He thought it desirable to tell the Russian delegation what they had in mind, but certainly not that afternoon, because it would involve them in a discussion which would occupy the whole afternoon. He would suggest to entrust to Signor Schanzer, as President, the task of communicating with the Russians on the subject and ask what could be done.

MR. LLOYD GEORGE supported this proposal.

SIGNOR SCHANZER said he would gladly accept this request.

### *2. The Meeting of Experts.*

MR. LLOYD GEORGE asked if the experts might meet at 4.30 that afternoon.

SIGNOR SCHANZER agreed.

M. MOTTA said that they had not yet been able to ask Holland to nominate their expert, but he would try and get this done in time for the 4.30 meeting.

### *3. Press Communiqué.*

MR. LLOYD GEORGE asked what was to be published.

<sup>12</sup> In February, 1921, the Bolsheviks had invaded and established a Soviet Republic in Georgia, which had been recognized by the Supreme Council as an independent republic in January, 1921 (see Vol. XV, Nos. 6 and 8).

M. BARTHOUS said the right course was to tell the truth.

M. BRATIANO suggested that the press should be told what the Russians were to be told that afternoon.

SIGNOR SCHANZER raised the question as to whether the Russian note was to be published.

M. BARTHOUS said that the press had it already.

SIGNOR SCHANZER agreed that it would be best to publish the note. This was agreed to.

*Hotel Miramare, Genoa, April 21, 1922.*

### APPENDIX III TO NO. 82

#### *Telegram from M. Jordania, the President of Georgia.*

Viens recevoir dépêche informant des opérations militaires menées dans provinces géorgiennes Svanethie, Letchkoumi et ratcha [?] par les troupes du Gouvernement de Russie des Soviets. Tandis que neuvième armée avance du Caucase, au nord onzième armée marche du côté de Koutais, cernant les régions où peuple insurgé en 1921; a chassé fonctionnaires bolchevistes et restitué pouvoir démocratique. Sang coule dans grande partie de Georgie occidentale; la situation dans le reste du pays devient de plus en plus tendue; une catastrophe des plus graves est à craindre. Au nom du peuple géorgienne je vous prie de saisir la conférence de cette question. La conférence pourrait mettre fin à effusion de sang en demandant à délégation russe arrêt immédiat des hostilités et application à Géorgie clause 6 des conditions élaborées à Cannes.<sup>13</sup>

<sup>13</sup> No. 6, Appendix.

### No. 83

P.C.S. 2] *Second Meeting of the Sub-Commission of the First Commission held on April 21, 1922, at 3.30 p.m.*

PRESENT: President: Signor Schanzer.

*Belgium:* M. Theunis.

*British Empire:* The Rt. Hon. D. Lloyd George, O.M., M.P.

*France:* M. Barthou.

*Italy:* Signor Schanzer.

*Japan:* Viscount Ishii.

*Poland:* M. Skirmunt.

*Roumania:* M. Bratiano.

*Russia:* M. Chicherin.

*Sweden:* M. Branting.

*Switzerland:* M. Motta.

The sitting opened at 3.30 P.M.

THE PRESIDENT recalled the fact that at the first sitting<sup>1</sup> of the sub-commission the report of the London meeting of experts<sup>2</sup> had been referred to the

<sup>1</sup> See No. 69.

<sup>2</sup> No. 56, Appendix.

delegations. It had been agreed that this report should serve as a basis for the discussion. Subsequently private conversations had taken place between certain delegations represented on the sub-commission on one side and the Russian delegation on the other.<sup>3</sup> The result of this exchange of views had been the drafting of a document<sup>4</sup> which determined certain points regarding the resumption of relations with Russia. This document had been transmitted to the Russian delegation, which had declared itself unable to reply immediately and had asked for time in which to consult its Government.<sup>5</sup>

The Russian delegation had sent its reply<sup>6</sup> to Mr. Lloyd George that day. That morning there had been a semi-official meeting<sup>7</sup> of all the members of the Sub-Commission of the First Commission, with the exception of the Russian and German delegates. Consideration of M. Chicherin's letter gave the delegations which were present at that meeting the impression that the Russian reply made a continuation of the discussion possible. The reading of this document, however, had given rise to some doubts. It had been recognised that certain points contained in it might be accepted while others could not. In any case the president had been instructed to notify the Russian delegation that its reply might serve as a basis for further discussion. In order to determine the method of conducting business it had been decided to set up a committee of experts comprising one member for each of the inviting Powers, one member for the neutral States, and one for the States of the Little Entente. The Russian delegation should also share in the work of this committee. By this means the document submitted by M. Chicherin could be more thoroughly examined. The president hoped that the proposal which he had made regarding the procedure to be followed would be accepted by M. Chicherin.

M. BARTHOU thought that the moment had arrived when, in the interests both of the Russian delegation and of the common aim in view, the removal of any ambiguity was essential. He was certain that M. Chicherin, like himself, wished to avoid any method which could only lead to disappointments. For this reason he wished, without further delay, to make an important declaration. M. Barthou agreed with the remarks of the president as he had agreed to the decisions taken at the meeting held that morning to the effect that M. Chicherin's reply did not oblige the delegations to break with the Russian delegation. Moreover, everyone agreed that this rupture should be avoided. Negotiations could therefore continue, but they must be placed upon a sound basis. Without going into details, M. Barthou thought that there were several points to which the attention of the sub-commission should be drawn at once. As the president had said, it had been considered that parts of the note sent by M. Chicherin could be accepted provided that their meaning and scope were clearly defined. Others required further explanation, while others again could not be accepted. M. Barthou wished only to refer to the last of these which for the moment appeared the most important in the discussion. He alluded to the last paragraph of M. Chicherin's note:—

<sup>3</sup> See No. 82, n. 3.

<sup>4</sup> See No. 74, Appendix.

<sup>5</sup> See No. 74.

<sup>6</sup> See No. 81, Appendix.

<sup>7</sup> See No. 82.

'The Russian delegation wish also to make it clear, although it seems to be self-evident, that the Russian Government could not admit liability for the debts of its predecessors until it has been formally recognised *de jure* by the Powers concerned.'

This paragraph appeared to make the recognition of debts subject to a single condition, but examination of the Russian reply as a whole showed that this recognition was in reality subject to two further conditions which were mentioned in other passages of M. Chicherin's letter. These conditions were defined in the third paragraph of the letter:—

'However, the Russian delegation are prepared to make a further step towards finding a solution for the adjustment of the differences and to accept items 1, 2 and 3 (a) of the above-mentioned annex (i.e., the annex to the minutes of the 15th April), provided (1) that the war debts and the arrears of interests or postponed interests of all debts are written down, and (2) that adequate financial help is given to Russia assisting her to recover from her present economic state in the shortest possible period.'

M. Barthou considered it essential to point out that these conditions were not in accordance with the Cannes resolutions,<sup>8</sup> which had, nevertheless, been accepted by the Russian delegation. Under these resolutions the Russian delegation had undertaken among other things, 'to recognise all public debts and obligations which have been or may be undertaken or guaranteed by the State, by municipalities or by other public bodies'. Having accepted the principle of recognition of debts, the Russian delegation had then subjected this recognition to two conditions not mentioned in the resolutions adopted at Cannes.

MR. LLOYD GEORGE then raised a point of order. He thought that in the course of the semi-official discussions that morning M. Barthou had expressed the wish that at the present meeting of the sub-commission there should be no general discussion on the reply of the Russian delegation. Personally, Mr. Lloyd George had no objection to M. Barthou continuing his remarks, but he wished it to be clearly observed that if M. Barthou continued he would be contravening the decision arrived at on his own motion, that no such discussion should be opened.

THE PRESIDENT agreed. He thought in effect that M. Barthou's declarations dealt with the basis of the Russian reply, and that it would be preferable not to embark on such a discussion.

M. BARTHOU stated that he was quite willing to fall in with Mr. Lloyd George's observations and with the opinion of the president. He wished, however, to give one explanation which appeared to him essential. The French delegation would on no account agree that the recognition of debts should be bound up with the recognition *de jure* of the Russian Government by the Powers interested. This was not a question which he raised, but a firm attitude which he was anxious to define.

THE PRESIDENT, before calling upon M. Chicherin who had asked to be allowed to speak, requested him to keep the discussion within the limits

\* No. 6, Appendix.

which he had indicated to M. Barthou. For the moment it was not desirable to enter upon a discussion of the basis of the question. The only point on which the Russian delegation was asked to reply was whether it accepted the proposed procedure.

M. CHICHERIN stated that the Russian delegation had not bound itself regarding the procedure to be followed as the inviting Powers appeared to have done. However, in a spirit of conciliation, he declared that the Russian delegation accepted the constitution of the Committee of Experts for the examination of the Russian note. Nevertheless, he could not pass over without protest certain observations made by M. Barthou. M. Barthou appeared to doubt the good faith of the Russian delegation with regard to its adhesion to the Cannes resolutions. He thought that the attitude of the Russian delegation in no way justified these criticisms. On the contrary, it was M. Barthou who had contravened the provisions of these resolutions. The recognition *de jure* of the Russian Government was in fact explicitly contained in the Cannes resolutions.

THE PRESIDENT asked M. Chicherin not to embark on discussion on this point. He was certain, moreover, that no accusation of lack of good faith had been brought against the Russian delegation.

M. CHICHERIN said that, while quite prepared to bow to the wishes of the president, he felt bound to add that the discussion seemed to him to imply that the sub-commission recognised the attitude of the Russian delegation to be in conformity with the Cannes resolutions.

THE PRESIDENT stated that it was impossible to draw such a conclusion. The Russian delegation was asking that the very point under discussion should be accepted as proved. Moreover, this point could not be discussed at the moment and would be the subject of a later exchange of views. He thought it desirable to begin work and not to prolong a useless discussion. He thanked M. Chicherin for accepting the proposal to set up a committee of experts.

M. CHICHERIN wished further to point out that the Cannes resolutions contemplated that credits should be granted by States which were financially in a strong position to the weaker countries. On this point the Russian delegation was therefore in entire agreement with the Cannes resolutions in bringing forward as one of the points on which agreement was necessary the question of the granting of credits to Russia.

THE PRESIDENT thought it desirable at this moment to proceed without further discussion to take a vote on the proposal for the establishment of a committee of experts. This was unanimously accepted. The president then read the list of experts appointed:—

Belgium: M. Cattier.

British Empire: The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P.

Czechoslovakia: Dr. Girsá.

France: M. Seydoux.

Italy: Dr. Giannini.

Japan: M. Kengo Mori.

Netherlands: M. Struycken.



He then invited M. Chicherin to give the names of the Russian experts.

M. CHICHERIN said that he should certainly do so. He then asked if the experts might be accompanied by specialists.

THE PRESIDENT felt it desirable that the committee should be as small as possible. He therefore thought that it would be best for the experts only to be present at the sittings of the committee and that any specialists whom the experts might consider necessary should assemble in a room adjoining that in which the committee met and there hold themselves at the disposal of the committee.

MR. LLOYD GEORGE emphasised the desirability of keeping meetings as small as possible and of appointing only well-qualified persons who could examine questions in detail and settle them rapidly.

THE PRESIDENT then proceeded, in agreement with the sub-commission, to convene the first meeting of the Committee of Experts for Saturday, the 22nd April, at 10.30 A.M., after which he declared the meeting adjourned.

The meeting was adjourned at 4.50 P.M.

#### No. 84

P.C.S.E. I] *First Meeting of the Committee of Experts on Russian Questions, April 22, 1922, at 10.30 a.m.*

**PRESENT:** *President:* The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P.  
*Belgium:* M. Cattier.

*British Empire:* The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P.

*Czechoslovakia:* M. Girsá.

*France:* M. Seydoux.

*Italy:* Signor Giannini.

*Japan:* M. Kengo Mori.

*Netherlands:* M. Struycken.

*Russia:* M. Rakowsky.

**SECRETARY:** M. Zanchi.

**INTERPRETER:** M. Parodi.

The sitting opened at 10.30.

SIR L. WORTHINGTON-EVANS said that it had been arranged that each delegation should have a single representative on the present committee,<sup>1</sup> accompanied by an assistant. As the number of the Russian delegates was four, that would make a total of eighteen. If one added three secretaries, the total number of persons present would be twenty-one. He observed, however, that a much larger number were present, and he asked the delegations to adhere strictly to the number which had been fixed. He added that the best work could be done in a small committee.

<sup>1</sup> Cf. No. 82.

SIGNOR GIANNINI associated himself with the remarks of the president.

SIR L. WORTHINGTON-EVANS said that the members of the delegations represented on the committee had asked him to preside over the meeting, and he asked the Russian delegates if they agreed.

M. RAKOWSKY stated that he agreed most heartily.

SIR L. WORTHINGTON-EVANS then took the chair, and reminded those present that the meeting had been called to consider in the first place the letter of the Russian delegation<sup>2</sup> in reply to the memorandum of the Allies.<sup>3</sup> It had been observed during the sitting of the sub-commission on the previous day that this letter formed a possible basis of discussion, although it was recognised that while some points in it could be accepted, others appeared unacceptable.<sup>4</sup> He added that in any case the discussion would begin with the examination of this letter.

M. RAKOWSKY announced that the Russian experts appointed to take part in the work of the present committee were MM. Litvinoff, Krassin, Rudsutak, and Rakowsky, but, as some of these experts had to attend the reception given by His Majesty the King of Italy, only M. Rudsutak was actually present. He proposed, therefore, that in these circumstances the sitting should be adjourned, and the agenda fixed for the next sitting, which might take place in the afternoon. The Russian delegation intended to add certain questions to those mentioned by the president. For the moment he limited himself to making an observation in regard to the document which was to serve as the basis of discussion. The Russian delegation had observed that a mistake had crept into the translation of their reply. This reply had been written in English. The French text, however, appeared in a different form (see Annexes I and II).<sup>5</sup> In the English text of this letter, which had been considered at yesterday's sitting of the sub-commission, the following words appeared: '(1) That the war debts and the arrears of interests or postponed interests of all debts are written down, and. . .'. The French translation, however, reads: '(1) Les dettes de guerre et les arrérages d'intérêts ou les intérêts différés de toutes les dettes soient réduits.' This had already created a misunderstanding, which had been widely circulated in the press, and for this reason M. Rakowsky was anxious to take the earliest opportunity of asking that the necessary correction should be made.

THE PRESIDENT remarked that the English text contained the words 'written down,' the precise meaning of which was 'réduits'. If it was intended to indicate the annulment of interest, the words should have been 'written off'.

M. RAKOWSKY stated that in that case the error was in the original, and that, in order to express the intention of the Russian delegation, the right word to have employed would have been 'annulés'.

M. SEYDOUX asked M. Rakowsky to be good enough to read the sentence in question as he considered it should have been written.

M. RAKOWSKY stated that he intended the phrase to read as follows: '(1)

<sup>2</sup> See No. 81, Appendix.

<sup>3</sup> See No. 74, Appendix.

<sup>4</sup> See No. 83.

<sup>5</sup> Not printed (for the English text, see No. 81, Appendix).

Les dettes de guerre et les arrérages d'intérêts ou les intérêts différés de toutes les dettes soient annulés.'

THE PRESIDENT observed that in that case the words of the English text should be 'completely written off'. He proposed that they should sit for half an hour now, and that the rest of the discussion should be adjourned till the afternoon. He asked the committee to decide.

M. SEYDOUX observed that it was the Russian delegation which had proposed an adjournment. The French delegation had all its experts present, and was ready to begin work.

M. RAKOWSKY preferred that the sitting should be adjourned till 4.30 P.M.

M. SEYDOUX remarked that M. Rakowsky had spoken of other questions which the Russian delegation proposed to insert into the agenda, and asked M. Rakowsky if he had any other remarks to make.

M. RAKOWSKY proposed that the agenda should be fixed at the afternoon sitting.

THE PRESIDENT observed that the first and most important thing to be done was to ascertain exactly the real meaning of the reply of the Russian delegation. He observed that the latter delegation had already asked for a correction, and he would like to know if there were any other points on which M. Rakowsky wished to make any observations.

M. RAKOWSKY did not dispute that the letter of the Russian delegation should serve as a basis of discussion, but he added that he would have to propose some changes in the arrangements of the questions to which the latter referred. The Russian delegation would itself prepare an agenda. It seemed to him, moreover, that his proposal was not in contradiction with that of the president.

*(The sitting was adjourned to 4.30 p.m.)*

## No. 85

*Draft Minutes of the Third Conference of the British Empire Delegation, Genoa, held in the Prime Minister's Room, Hotel Miramare, Genoa, on Saturday, 22nd April, 1922, at 10.30 a.m.*

PRESENT: The Rt. Hon. D. Lloyd George, O.M., M.P. (*in the Chair*); Sir Philip Lloyd-Greame, K.B.E., M.C., M.P., Director of Overseas Trade; Professor Edouard Montpetit, K.C., LL.D., Representative of Canada; The Rt. Hon. Sir Joseph Cook, G.C.M.G., Representative of Australia; The Hon. Sir Edgar Walton, K.C.M.G., Representative of South Africa; Mr. D. M. Dalal, C.I.E., Representative of India.

The following were also present: Sir C. J. B. Hurst, K.C.B., K.C., Foreign Office; Sir E. Grigg, K.C.V.O., C.M.G., Sir M. P. A. Hankey, G.C.B., Secretary, British Empire Delegation; Mr. Pembroke Wicks, Assistant Secretary, British Empire Delegation.

MR. LLOYD GEORGE stated that another crisis had arisen. Two notes had been received from the French Government, one from the French Chargé d'Affaires<sup>1</sup> and a second from M. Barthou to Signor Schanzer.<sup>2</sup> The first note alleged that the Russian-German Treaty<sup>3</sup> was a breach of Articles 116 and 260 of the Treaty of Versailles. The second note declared that the Treaty was a violation of the Cannes Resolutions<sup>4</sup> and quite unacceptable, and asked for an immediate meeting of the Heads of Delegations.

Mr. Lloyd George then asked whether Sir Cecil Hurst and M. Fromageot had not already decided that there had been no breach of the Treaty of Versailles.

SIR CECIL HURST replied that a new point had been mentioned to M. Fromageot since their conversation. The French were now anxious to interpret the word 'Russia' in Article 260 of the Treaty of Versailles as the whole of the old Russian Empire, so that the Article should have the effect of preserving the rights of the Succession States to claim reparation in respect of their territory.

MR. LLOYD GEORGE pointed out that the Russian-German Agreement in no way interfered with such a right and referred only to the territory of the Russian Soviet Government. SIR CECIL HURST agreed and said that in his opinion the French were wrong.

MR. LLOYD GEORGE then pointed out that the French note demanded the reference of the question of the Treaty of Versailles to the Conference of Ambassadors in Paris under the Presidency of M. Jules Cambon,<sup>5</sup> which would constitute that body a Court of Appeal from the decisions of all the Nations of Europe at Genoa. It was, in effect, another attempt to wreck the Conference.

The meeting then adjourned for a few minutes while Mr. Lloyd George conferred with Signor Facta and Signor Schanzer who arrived at this stage.

On the resumption of the discussion, SIR PHILIP LLOYD-GREAME, referring to a clause in the Spa Agreement<sup>6</sup> in which it was laid down that the rights of Poland should not be in any way prejudiced by that Agreement, concurred in Mr. Lloyd George's view that there was nothing in the Russian-German Agreement to prejudice the rights of Poland.

MR. LLOYD GEORGE said that it was plain that France, if she was not careful, would set the whole sentiment of the civilised world against her. The Italian Ministers, whom he had just seen, concurred in the view that the French attitude must be resisted. A plenary session must be held to discuss the matter. It was intolerable that M. Poincaré at Paris should dictate to 30 nations and he ought to come to Genoa if he had anything to say. The time must come when France would have to make up her mind whether she would remain in the general Conference or remain out of it.

<sup>1</sup> Not traced in the Foreign Office archives.

<sup>2</sup> See No. 86, n. 1, below.

<sup>3</sup> See No. 75, n. 1.

<sup>4</sup> No. 6, Appendix.

<sup>5</sup> Cf. No. 78, n. 20.

<sup>6</sup> See Vol. VIII, No. 77, n. 3.

The meeting were [*sic*] unanimous in agreement with the policy suggested by Mr. Lloyd George.

It was stated that a meeting of the heads of Delegations would be held at the Palazzo Reale at 4 o'clock the same day.<sup>7</sup>

*Hotel Miramare, Genoa, April 22nd, 1922.*

<sup>7</sup> See No. 86, below.

## No. 86

P.C.S. 2A] *Meeting of the Members of the Sub-Commission of the First Commission held on April 22, 1922, at 4 p.m. in the Palazzo Reale, Genoa.*

PRESENT: *President*: Signor Facta.

*Belgium*: M. Theunis, M. Jaspar.

*British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P., The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P.

*Czechoslovakia*: Dr. Benes.

*France*: M. Barthou, M. Colrat.

*Italy*: Signor Schanzer.

*Japan*: Baron Hayashi, Viscount Ishii.

*Poland*: M. C. Skirmunt.

*Roumania*: M. Bratiano.

*Serb-Croat-Slovene Kingdom*: M. Ninčić.

The meeting opened at 4 P.M., Signor Facta presiding.

THE PRESIDENT said that he had received a letter<sup>1</sup> from the head of the

<sup>1</sup> M. Barthou's letter, dated April 21, 1922, read as follows:

'M. le Président,

'Je ne connais encore que par la presse, qui l'a reçu des mains de M. Rathenau, le texte de la lettre que M. le Chancelier d'Allemagne a dû remettre aujourd'hui à votre Excellence. Je tiens cependant à lui communiquer sans retard les expresses réserves que me suggère un document qui me paraît inadmissible si, comme tout me porte à le croire, le texte en est authentique.

'La délégation allemande présente comme légitime le Traité germano-russe. La délégation française estime que, même sans parler ici d'autres engagements conventionnels de l'Allemagne, ce traité viole les principes de Cannes. D'autre part, les Alliés, constatant que le Traité germano-russe détruit l'esprit de confiance mutuelle indispensable à la coopération internationale que la conférence a pour but d'établir, ont été unanimes à considérer que leur dignité ne leur permettait plus de collaborer avec les délégués allemands à la commission chargée des affaires russes. La note allemande donne de la lettre du 18 avril une interprétation inacceptable.

'Il serait hors de propos d'entrer ici dans le détail des allégations formulées par la délégation allemande, allégations mensongères que l'attitude loyale et franche des Puissances invitées suffirait à contredire.

'J'ai la conviction que votre Excellence reconnaîtra comme moi la nécessité d'appeler les chefs des délégations qui, réunis sous votre présidence, ont signé la note du 18 avril, à délibérer sur la situation qui vient d'être créée par la réponse allemande. Cette délibération, pour être utile, devrait avoir lieu dans le plus bref délai.'

At a meeting with Signor Schanzer and Signor Facta on April 22, 1922, at 11 a.m.

French delegation, in which M. Barthou requested him to convene as soon as possible the delegates of the Powers who were signatories to the note addressed to the German delegation on the 18th April (Annex I),<sup>2</sup> in order to discuss the reply made by the latter to the note (Annex II). Signor Facta, like M. Barthou, considered the question extremely urgent, and at once convened the delegations concerned.

M. BARTHOUS thanked Signor Facta for the readiness with which he had acceded to his request. He said that he had taken the initiative personally on behalf of the French delegation, as a result of the note handed to Signor Facta by Dr. Wirth. Subsequently, another incident had occurred of an extremely serious character, which alone would have been sufficient to justify the convening of the present meeting. In the letter addressed by M. Barthou to Signor Facta, he had indicated the precise reasons which appeared to him to require an immediate exchange of views on the part of the delegations who had agreed to exclude Germany from the First Commission.<sup>3</sup> Meanwhile, the Russian delegation had published a memorandum<sup>4</sup> in which it explained its views on the questions discussed at the conference. This document also called for immediate discussion. Accordingly, it was not only the German reply that M. Barthou desired to discuss at the meeting, but also the views expressed by the Russian delegation. M. Barthou would be glad to be able to express his opinion on these two questions, and he requested the president to be so good as to give him an opportunity of doing so.

MR. LLOYD GEORGE observed that the meeting had been called only to consider the reply of the German delegation. He was not yet acquainted with the contents of the Russian document, to which M. Barthou referred. It appeared difficult, if not impossible, to approach so serious a question without having carefully considered the long memorandum expressing the views of the Soviet Government.

M. BARTHOUS said that he fully realised that the discussion of this memorandum should not be broached at once, but it seemed to him essential to define his attitude immediately and to inform the delegations concerned of his standpoint. A kind of memorandum had been distributed in the streets

(S.G.12: not printed), Mr. Lloyd George, who had received a résumé of M. Barthou's letter from Signor Schanzer on the evening of April 21, made the following comments: '... this was simply another attempt to wreck the conference. It was obviously dictated by M. Poincaré from Paris. His view was that a meeting should be held the same afternoon of all the Powers who had signed the note to the Germans. At that meeting he was prepared to propose that a plenary meeting should be held to consider that question. Further, he would state that when the plenary conference met he would rise and make the case that it was not the conduct of the German Government, but of the French Government, which was causing the principal difficulties. He would give notice of that this afternoon. The position was really intolerable. At Genoa there were assembled eight or nine Prime Ministers and a large number of Foreign Ministers. Were they, he asked, to submit the question of whether the Russo-German treaty was a violation of the Treaty of Versailles to a mere Conference of Ambassadors sitting at Paris with M. Jules Cambon in the chair? He strongly pressed for a meeting that afternoon.'

<sup>2</sup> Not here printed (see No. 76, Appendix II).

<sup>4</sup> No. 89, Annex I, below.

<sup>3</sup> See No. 76.

of Genoa which had not been officially communicated to the delegations. In the publication of this document the Russian delegation had seen a means of carrying on propaganda in support of its views. In the course of a conversation which M. Barthou had had with Signor Schanzer, the latter had agreed that it was desirable to do everything possible to put an end to this regrettable propaganda. But since then new developments had arisen; the document, which had seemed merely intended to influence public opinion, had become official; it had been officially communicated to the experts<sup>5</sup> who had met that morning. The memorandum was a direct negation of the principles of Cannes,<sup>6</sup> and of all the obligations undertaken by the Russian delegation, both at the inaugural session of the conference<sup>7</sup> and in the course of the meetings held subsequently. Under these conditions, M. Barthou had requested M. Seydoux, French technical adviser, to take no further part in the meetings of the committee appointed to discuss the Russian reply, until the French delegation had received from its Government definite instructions on this point.

Continuing, M. Barthou said that he did not ask that the discussion of this question should begin at once; he merely desired to define and explain his attitude in order that the Allied delegations should not become acquainted with the serious decision which he had taken through any other channel.

SIGNOR SCHANZER said that the facts mentioned by M. Barthou had come to his knowledge only since his conversation with the head of the French delegation. Subsequently, he had received further information on the subject. The Russian memorandum was not official in character; in fact, it appeared to be merely a refutation of the London experts' report,<sup>8</sup> and intended solely for the press. Some copies of these memoranda had been brought into the room where the experts met, and the latter had thus acquainted themselves with the contents. The Italian Government could, of course, prevent, to a certain extent, the distribution of a document of this kind; it might, for example, prevent its being distributed in the streets, but it would be very difficult for it to prevent the Russian delegation communicating the document to the press. The Italian Government could not assume such a responsibility, and any other Government in its place would be obliged to make the same reservations. On the other hand, there was nothing to indicate that the Russian delegation desired that this document should constitute the basis of the discussion. The Russian delegation had agreed to discuss matters on the basis of the reply which it had sent to Mr. Lloyd George.<sup>9</sup> From the attitude of the Russian delegation, there was no reason to suppose that this decision had been altered. Accordingly, what they had to examine was M. Chicherin's reply, and nothing else. All other documents were of no official value, and were unimportant in regard to the work of the conference. Of course, the publication of such a document was very regrettable; but, since it had not been communicated to the conference officially, it was better to ignore it.

<sup>5</sup> See No. 87, below.

<sup>6</sup> See No. 6, Appendix.

<sup>7</sup> See No. 67.

<sup>8</sup> See No. 56, Appendix.

<sup>9</sup> See No. 81, Appendix.

M. BARTHOU again repeated that he did not desire to open up a discussion on a document with the details of which certain members present were not acquainted. When he spoke of this memorandum to Signor Schanzer, he had not been aware of all that had taken place. In point of fact, the Russian memorandum had been communicated officially by the Russian experts at the meeting held that morning. M. Barthou had nothing further to add to the explanations which he had felt bound to give on this point, and he asked the meeting to begin the consideration of the German question.

SIGNOR SCHANZER declared that, to be quite exact, it was not the Russian experts who had communicated the memorandum to their colleagues. It was an expert who had brought the copies of the document into the room in which the committee met, but it had not been officially communicated. It was of their own free will that the experts present had acquainted themselves with the document, which had not been referred to them for examination.

M. BARTHOU thought that there was no need to pursue the discussion of this point. The version which he had received was quite different from that which Signor Schanzer had just given. However, the French delegation would discuss the allegations and claims contained in this memorandum when discussing the whole of the Russian reply. In regard to the German question, M. Barthou recalled that, when the note addressed to the president of the conference by the German delegation was handed in at the Royal Palace, Dr. Rathenau had, at the same time, communicated it to the press. In his letter, M. Barthou had merely desired to point out that, as a matter of fact, he had become acquainted with the German note only through the press; they must not think that his words were intended to convey anything more. M. Barthou recognised gratefully that the Italian Government and the general secretariat of the conference were doing their utmost to satisfy the delegations, and he had great pleasure in thanking them for their efforts. He did not wish to discuss the whole of the German reply, but would merely draw attention to certain points in the reply which he considered impossible to accept. He was not surprised at the general tone of the note, which was intentionally disagreeable. Three points appeared to him especially worthy of consideration because they contained serious inaccuracies, and because one of them even affected the relations between the German delegation and the rest of the conference:—

1. The German delegation declared that it, 'in the course of the detailed discussion which had taken place, has, on more than one occasion, drawn the attention of several members of the delegations of the inviting Powers to the grave difficulties' (which the adoption of the London proposals would have had for German interests).

'Their observations, however, have met with no result. On the other hand, the German delegation learned that the inviting Powers were conducting separate negotiations with Russia. From information received regarding these negotiations, it seemed that an agreement was about to be reached, an agreement in which the legitimate interests of



Germany would not be considered.' M. Barthou stated categorically that no such protest on the part of the German Government had been referred to the French experts, either at London or elsewhere. He supposed that this was also true in regard to experts of other Governments. The German statement was accordingly, to say the least of it, inaccurate.

2. But even this paragraph contained a much more serious allegation. The German delegation made it appear that the interests of Germany were being discussed in her absence, and that she had reason to fear that she would suddenly find herself faced with an accomplished fact. This statement was entirely false. No negotiations had been entered upon with Russia. Only semi-official conversations<sup>10</sup> had taken place, intended merely to prepare the way for a subsequent agreement; but it was clearly understood that all final decisions would be left for the First Commission and the conference. It was therefore inexact to claim that Germany ran the risk of finding her interests compromised by the conversations which had taken place.
3. But the German note contained a passage of still greater importance, because it related to the decision which had been taken as a sanction for Germany's shortcomings. Dr. Wirth wrote: 'As regards subsequent discussions of Russian questions by the conference, the German delegation itself also considers it desirable that, unless its collaboration is required, it should take no further part in the discussions of the First Commission relating to questions which correspond to those already regulated between Germany and Russia. On the other hand, the German delegation is still interested in all questions discussed by the First Commission which do not relate to the problem regulated in the German-Russian Treaty.'

Without emphasising the ironical tone of this passage, he would like to point out that the German delegation considered itself entitled to take part in all discussions in the First Commission in regard to Russian questions other than those regulated by the treaty which had been signed. It could not be denied that the intention of the Powers who were signatories to the note of the 18th April had been to exclude Germany definitely from all discussions on Russian questions, of whatever nature. The note of the German delegation did not take into account in any way this point of view, which had, however, been put before it very clearly; it appeared determined to pay no attention to it. Dr. Wirth should be informed at once that his reply was inadmissible, and it should be pointed out to him once again that no Russian question could be discussed by the First Commission in the presence of any member of the German delegation.

MR. LLOYD GEORGE said that he did not entirely agree with M. Barthou in regard to the tone of the German reply. He thought that it was as conciliatory as possible, taking German mentality and psychology into consideration. As for the points raised by M. Barthou, the statements made were inaccurate,

<sup>10</sup> See No. 72, No. 73, n. 2, and No. 74.

but he did not think that they were intentional falsehoods. As regards, for example, the first point referred to by M. Barthou, Mr. Lloyd George did not know to whom the German note was alluding, but he was certain that it did not refer to the British delegation. Members of the German delegation had had interviews with Sir Robert Horne and Sir Edward Grigg,<sup>11</sup> but there had never been any question, during these conversations, of an agreement with the Russians. Conversations had, however, taken place between members of the German delegation and certain officials of the British delegation, to whom they had complained that their interests were compromised by the negotiations which were taking place. Sir Maurice Hankey had questioned these officials, who had all denied that they had made the statements referred to by the Germans. This, moreover, had been corroborated by Dr. Wirth. Dr. Rathenau had, on several occasions, expressed a wish for an interview with Mr. Lloyd George, but Mr. Lloyd George had been unable to receive him.<sup>12</sup> These various inaccuracies must be rectified in the reply to the German delegation. Mr. Lloyd George was inclined to think that Dr. Wirth's reply constituted an acceptance of the conditions which had been presented to the German delegation. It seemed that the Russo-German Treaty included all the questions which might be examined at Genoa. If M. Barthou could find subjects which were outside the scope of that treaty, let him say so. Mr. Lloyd George, however, was definitely of the opinion that the German delegation had fully accepted the point of view put forward. To prove it, it would be sufficient to state that the Powers signatory to the letter of the 18th April considered that the German delegation had integrally accepted the stipulations laid down in the last paragraph of the letter.

SIGNOR SCHANZER agreed that the German note contained some inexactitudes. In order to define the attitude of the Italian delegation, Signor Schanzer informed the meeting that no member of the delegation had been in touch with the German delegation before the first conversations held at the Villa d'Albertis. It was only after the second of the meetings<sup>13</sup> held there that Signor Schanzer had thought it necessary to inform the German delegation of the results of the exchange of views begun. A member of the Italian delegation had been entrusted with this mission. Further, it was untrue to state that steps had been taken by the German delegation. The Italian delegation had not been approached before the German Ambassador informed Signor Schanzer of the conclusion of the Russo-German Treaty.<sup>14</sup> It was only subsequently that Dr. Rathenau came to discuss matters with Signor Schanzer. Accordingly, no communication had been made to the German delegation such as it asserted it had received. The German delegation desired to explain its signing of the treaty by the apprehensions felt on account of the information it had received, but these apprehensions arose merely from its interpretation of the information in its possession. All that had been said to the German delegation was that conversations were in

<sup>11</sup> In the British Secretary's Notes of this meeting (I.C.P. 245, not printed) this sentence read: 'Dr. Rathenau had seen Sir Robert Horne and Sir Philip Lloyd-Greame.'

<sup>12</sup> See No. 78, n. 5.

<sup>13</sup> See No. 74.

<sup>14</sup> See No. 75.

progress between the inviting Powers and the Russian delegation. With regard to the third point, Signor Schanzer thought that the observations of M. Barthou were justified, though they appeared to be based on a subtle shade of meaning. He thought, however, that the German delegation, in its reply, had merely intended to signify its compliance with the requests which had been made to it, and he concurred with Mr. Lloyd George in thinking that the best thing to do was to reply that the signatory Powers considered that Germany had definitely agreed. In this way the situation would become much clearer.

VISCOUNT ISEI declared that the Japanese delegation had had no communication or conversation with the German delegation. In his opinion, the note of the 18th April meant that the German delegation was to be excluded from any discussion on Russian questions. However, he did not think there could be any question to discuss other than those included in the Russo-German Treaty, and for this reason he concurred in Mr. Lloyd George's proposal.

M. SKIRMUNT stated that the Polish Delegation had held no conversations with the German delegation. He supported Mr. Lloyd George's proposal. Whilst not wishing to prolong the discussions with the German delegates, he desired that reservations should be made regarding the meaning and scope of the Russo-German Treaty, and that it should be clearly pointed out that the Allies in their note of the 18th April had only alluded to the attitude of Germany and to the impropriety of the measures which she had taken. The treaty itself had not been discussed, and the question of its recognition had not been touched upon. Under these circumstances M. Skirmunt considered that formal reservations regarding the validity of the Russo-German Treaty should be included in the reply to Germany; silence on this matter might be interpreted as an indirect recognition of the treaty.<sup>15</sup>

<sup>15</sup> On April 25, M. Skirmunt communicated the following (N 4226/646/38) to the President of the First Commission and sent copies to the Russian and German delegations, and to the Reparation Commission in Paris: 'Without having to pass judgment on this occasion on the agreement as a whole concluded at Rapallo on the 16th instant between the German Government and that of the Russian Soviet Republic, the Polish Delegation to the Genoa Conference is instructed by its government to make, in the latter's name, the following declaration:

'By the agreement concluded at Rapallo, the Soviet Government has, *inter alia*, relinquished the right to receive repayment of its war costs and of reparation for war damages, that is to say, damages incurred by the Republic or its citizens in the field of war through military measures, including all requisitions. It has likewise renounced its right to reimbursement of civilian damages caused to its nationals by emergency war legislation or by measures taken by German public bodies.

'In view of the fact that the above-mentioned stipulation affects the provisions of Article 116 of the Treaty of Versailles, on which is founded the right of Poland to reparations, the Polish Government feels compelled to enter, as far as itself is concerned, express reserves with a view to avoiding any misunderstanding as regards the scope of the above-mentioned clause.

'As stated in the Spa arrangement of July 16th, 1920 (Article 10), the right of Poland to reparations for the damages which she suffered in so far as she formed part of the former Russian Empire, remain reserved in conformity with Article 116 of the Treaty of Versailles.

'The list of damages suffered by Poland, so far as she formed part of the former Russian

SIGNOR SCHANZER understood M. Skirmunt's wishes, but considered that it was essential to confine themselves to the question as posed in the note of the 18th April. The object of that note was to condemn and punish the German action. The question of the validity and scope of the Russo-German Treaty had not then been raised. It was doubtless an important question, but had no direct relation to the point under discussion. Separate questions must be discussed separately; if it seemed necessary to make reservations, they could be made outside the conference, but they did not enter into the dispute submitted to the conference. A request had been made to Germany, and accepted by her; if reservations of another kind were made, they would constitute an addition to claims which were already defined.

MR. LLOYD GEORGE thought that, as a meeting was shortly to take place to discuss the Russian memorandum and the attitude of the Soviet Government's delegation, a draft reply could be submitted to that meeting. The draft could be discussed at the beginning of the meeting at which the Russian memorandum was considered.

M. BARTHOU had no objection to raise to Mr. Lloyd George's proposal. The reply to the German note had been agreed upon. The discussion of the Russian memorandum could be commenced. The questions were therefore clearly posed.

SIGNOR SCHANZER thought that Mr. Lloyd George, who had already drawn up the draft upon which the letter of the 18th April was based, might be asked to draw up a draft of the reply to the German delegation.

M. BARTHOU observed that the present meeting had been called on his suggestion; he also would submit a draft which could be discussed at the same time as that submitted by Mr. Lloyd George.

SIGNOR SCHANZER pointed out that the reply to the German note should be considered by a special meeting composed of the representatives of the Powers which had signed the note of the 18th April. The Russian memorandum, was duly presented to the Reparation Commission which, by its decision of 15th February, 1921, communicated it to the German Government for examination and ultimate settlement, in conformity with Article 116 of the Treaty of Versailles.

Finally, by its note of April 28th, 1921, by which, in fulfilment of Article 233 of the same Treaty, it informed the German Government of the total amount of reparations due by Germany, the Reparation Commission stated that the sum fixed by it did not include the reparations to which Poland was entitled, in conformity with Article 116 of the Treaty of Versailles.

'Under these conditions, it is the Polish Government alone which, under the reservation of the rights of the Reparation Commission, would have the power of settling with the German Government the questions which might arise on the settlement of reparation for the damages incurred by Poland, so far as she formed part of the former Russian Empire, and to her citizens. Consequently the Russo-German agreement of April 16th, 1922, can in no wise prejudice the rights acquired by Poland in virtue of Article 116 of the Treaty of Versailles.

'It is only fair to recognize, moreover, that the text of that agreement, in stating clearly that it concerns damages caused to the Soviet Republic and its citizens, is quite explicit in avoiding the application of the agreement to the damages suffered by Poland, so far as she formed part of the former Russian Empire, or by her citizens.' For M. Skirmunt's correspondence with M. Chicherin concerning the Treaty of Rapallo, see Degras, pp. 303-6.

dum, on the other hand, was to be submitted to the Sub-Commission of the First Commission, which did not include all those Powers, but did include representatives of neutral countries.

M. BARTHOU agreed with Signor Schanzer on the condition that it was clearly understood that the Russian delegates who were members of the sub-commission should not be present at that meeting.

MR. LLOYD GEORGE considered that the two questions to be discussed were to a certain extent connected, and that those who had discussed the German reply should take part in the discussion of the Russian memorandum. The question which was to be examined at the next meeting was of the first importance. It might be resumed thus: was the conference to break or not? Mr. Lloyd George would not take the responsibility of such a rupture, which would involve the most disastrous consequences; instead of the established peace which the nations had hoped to achieve at Genoa, the conference would result in a Russo-German alliance which would constitute a most serious menace to peace. The Powers which would eventually suffer most from a Russo-German alliance were precisely those which had signed the letter of the 18th April to Germany. For certain of them the whole future of their country would be affected by the decision which was taken. They could not, he thought, be excluded, unless for some very important reason, from the discussion which was to take place.

SIGNOR SCHANZER thought that in view of the importance of the discussion the neutral Powers should not be excluded from the discussion of the Russian question. As, however, they had not taken part in the discussion of the note to Germany, the next meeting could be divided into two parts, and the neutrals could be admitted only to the second part, when the Russian question was discussed.

MR. LLOYD GEORGE observed that he had just been informed by the president of the Committee of Experts that the French delegate on that committee had stated that in view of the Russian delegation's memorandum he would be unable to take part in the discussion.<sup>5</sup> The committee was therefore unable to hold its meeting. The Russian delegation had, however, declared that their memorandum represented a point of view which was by no means new, and that they were prepared to make concessions.

M. BARTHOU summarised the discussion and stated that there would be two meetings, one on the German question, in which the neutral delegates would not take part. As they had not signed the note of the 18th April, they were not concerned with the reply made to it by the German delegation, and they could not be asked to discuss the reply to a document which they had not assisted in drawing up. The discussion of the Russian question would take place afterwards, and the neutral delegates would be invited to take part in it.

MR. LLOYD GEORGE thought that there was no reason why the neutral delegates should not be convened at the commencement of the meeting. As they were not interested in the German question, it was not probable that they would take part in the discussion of it.

M. BENES was inclined to think that if they were invited to take part in that discussion they would decline to do so.

MR. LLOYD GEORGE stated again that he saw no objection to asking the neutral delegates to attend; if they preferred to take no part in the discussion, they would not do so: they would have every right to absent themselves during the discussion.

M. BRATIANO saw no advantage in including the neutrals in a discussion in which they had hitherto taken no part. It would be better in every way to conclude the discussion of the question without convening other delegations.

SIGNOR SCHANZER proposed that the meeting should first deal with the Russian question. When the discussion of that question had been concluded, the German question could be discussed; the neutral delegates could then be invited to retire.

M. BARTHOU preferred that the very urgent German question should be dealt with first. The responsibility for the note which had been sent to the German delegation was borne by a certain number of Powers, which could not in fairness wish to shift some of that responsibility on to other Powers which were not concerned in the matter. Under these circumstances it seemed useless to invite the neutral delegates to take part in the discussion.

MR. LLOYD GEORGE wished to avoid any unnecessary delay. In his opinion the Russian question was the essential one. A decision must be taken upon it without delay. The conference had been convened to settle it. It must be decided whether the conference could or could not continue its work. If it was recognised that it was impossible to find the basis of an agreement, the fact should be made clear without delay. The essential discussions could not be postponed on the pretext of discussing the German reply. If the conference was to break it was better that the break should take place at once, and that each delegation should accept its own responsibility in the matter.

Mr. Lloyd George thought that the situation should be clearly defined. He had to inform the British Parliament and the British Empire of the exact position and of the attitude of each nation at Genoa.

It was decided that the members present should meet on the 23rd April, 1922, at 10.30 A.M., to discuss the text of the reply to be made to the German delegation's note of the 21st April, 1922, and that the neutral delegates should be invited to join the meeting at 11.15 to discuss the Russian memorandum.

The meeting rose at 5.30 P.M.

#### ANNEX II TO No. 86

##### *Letter from the German Delegation in Reply to Joint Note*

(P.C.S. 2A)

NOTE.—I attach a revise of the letter of the German delegation dated the 21st April, 1922. The translation originally circulated was from a French

version circulated by the German delegation. The following is a translation of the original German note, and, though in substance the same, is more exact.

*April 22, 1922.*

M. P. A. HANKEY

Mr. President,

*Genoa, April 21, 1922.*

In reply to the note of the 18th inst.,<sup>2</sup> signed by yourself and by the presidents of the French, British, Japanese, Belgian, Czechoslovak, Polish, Serb-Croat-Slovene, Roumanian and Portuguese delegations, I have the honour to submit the following observations:—

Germany recognised the Russian Soviet Republic several years ago.<sup>16</sup> Before normal diplomatic relations could be established, however, it was necessary for the two countries to conclude an agreement to liquidate the consequences of the war. The negotiations entered into by the two Governments in this connection had already several weeks ago reached a sufficiently advanced stage to allow of the conclusion of an agreement.

The agreement with Russia was especially important for Germany in that it placed her upon a peace footing, without involving the prospect of indefinite indebtedness, with one of the great nations which had taken part in the war, and permitted the establishment of friendly relations unhampered by the burdens of the past.

Germany came to Genoa, earnestly desiring to co-operate with all nations in the reconstruction of a suffering Europe, and relying upon an international spirit of solidarity in matters of mutual concern.

The proposals set forth in the London programme<sup>8</sup> ignored German interests. Their acceptance would have led to oppressive demands for reparation from Russia. Several of the provisions would have resulted in laying upon Germany alone the whole burden of the consequences of the legislation promulgated under the Tsarist régime during the war.

In the course of the detailed discussion which had taken place, the German delegation has, on more than one occasion, drawn the attention of members of the delegations of the inviting Powers to these grave difficulties. Their observations, however, have led to no result. On the other hand, the German delegation learnt that the inviting Powers had initiated separate negotiations with Russia. From information received regarding these negotiations, it seemed that an agreement was about to be reached, in which the legitimate desires of Germany were not considered. Under these circumstances the German delegation was clearly forced to safeguard its interests by direct means. It would otherwise have been confronted, at the meeting of the commission, with a scheme which, while not acceptable to Germany, would already have been approved by the majority of the members. For this reason the treaty with Russia was signed on Sunday evening,<sup>17</sup> in exact conformity with the draft of several weeks previously, and was immediately made public.

<sup>16</sup> In the Treaty of Brest-Litovsk (see No. 34, n. 26).

<sup>17</sup> i.e. April 16, 1922.

These facts clearly prove that the German delegation entered into negotiations with Russia, not with any sentiment of disloyalty, but under constraint. It is also clear that the German delegation has made every endeavour to prevent its action assuming a secret character.

It would be in entire conformity with the wishes of the German delegation if the conference succeeded in arriving at a general settlement of the Russian problem, and in including the German-Russian Treaty within the scope of such settlement. It would seem that this object is within the bounds of possibility. The treaty does not in any way affect the relations of third Powers with Russia. Moreover, each of its stipulations is based upon the principle which you have justly stated to be the chief aim of the conference, namely, that of regarding the past as definitely closed and of seeking to lay a foundation for the common work of peaceful reconstruction.

As regards subsequent discussions of Russian questions by the conference, the German delegation itself also considers it fitting that, unless its collaboration is particularly desired, it should take no further part in the deliberations of the First Commission on questions similar to those already settled between Germany and Russia. On the other hand, the German delegation is still interested in all questions assigned to the First Commission which do not relate to the points settled in the German-Russian Treaty.

The German delegation has followed the progress of the work of the commissions with satisfaction. It is in full sympathy with the spirit of solidarity and mutual confidence which inspired these labours. Far from wishing to withdraw from European co-operation, it is prepared to collaborate in the tasks to be performed by the Genoa Conference with the object of the reconciliation of nations and the adjustment of the interests of East and West.

Please accept, Mr. President, the assurance of my highest consideration.

WIRTH

## No. 87

P.C.S.E. 2] *Second Meeting of the Committee of Experts on Russian Questions, April 22, 1922, at 4.30 p.m.*

PRESENT: *President:* The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P.  
*Belgium:* M. Cattier.

*British Empire:* The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P.

*Czechoslovakia:* M. Girsá.

*France:* M. Seydoux.

*Netherlands:* M. Struycken.

*Italy:* Signor Giannini.

*Japan:* M. Kengo Mori.

*Russia:* M. Rakowsky.



SECRETARY: M. Zanchi.

INTERPRETER: M. Parodi.

The sitting opened at 4.30.

THE PRESIDENT gave M. Seydoux permission to make a statement.

M. SEYDOUX drew attention to the fact that the Russian delegation had sent in to the secretariat a memorandum which had been distributed to the experts at the morning sitting.<sup>1</sup> M. Seydoux had brought that memorandum to the notice of the whole of the French delegation, which had in that way been informed of it. He was obliged to say that, owing to the character of that document, which appeared to the French delegation to so great and important an extent to create a new situation, and to reopen matters already settled, especially the Cannes declarations,<sup>2</sup> they had been forced to seek instructions from the French Government. Under those conditions it was impossible for M. Seydoux to continue the negotiations in that committee. M. Seydoux added that he much regretted that state of affairs, and he asked leave to withdraw for the moment. As soon as the French delegates had received instructions from their Government they would resume the negotiations at the point where they had left them.

THE PRESIDENT reminded the committee that they were assembled in order that the delegates of the nations concerned might examine, together with the Russian delegation, the exact nature of the latter's proposals and the extent to which it might be possible to reach agreement. He regretted that the French delegation should consider it impossible to take further part in their work because of the document to which M. Seydoux had referred. The British delegation had received no official notice of the document in question; he himself had found a certain number of copies on the table at the morning sitting and he had taken one, but he had not yet had time to consider it.

The President added that the committee could not usefully continue the discussion until the French delegation were in a position to take part in it; he must therefore request them to suspend their labours.

M. RAKOWSKY asked whether the French delegation were willing to hear the explanation of the Russian delegation.<sup>3</sup>

<sup>1</sup> See No. 84.

<sup>2</sup> See No. 6, Appendix.

<sup>3</sup> M. Rakowsky later explained the views of the Russian delegation in the following letter, dated April 22, to Sir Laming Worthington-Evans: 'In reference to the incident which was created to-day at the last sitting by the statement of the French expert, M. Seydoux, to the effect that the publication of our memorandum constitutes a new factor, rendering it necessary for him to ask for new instructions from his Government, pending which he must withdraw from the sittings of the sub-committee, the Russian delegation begs to submit the following explanation, which it was unable to present at the sitting of the sub-committee owing to its sudden adjournment:—

'The memorandum of the Russian delegation constitutes an answer to the London memorandum of experts, and formulates the Russian viewpoint concerning the attitude adopted by them on the Russian question. However, in conformity with its repeatedly expressed desire to reach an understanding with all Powers, the Russian delegation consented to enter into private conversations, and has agreed, on certain conditions, to modify the position laid down in its memorandum.

'As a result of this preliminary understanding, a letter was addressed by the Russian

M. SEYDOUX replied that he could no longer remain present at the sitting. The sitting closed at 4.45.

delegation to the Prime Minister of Great Britain, which at yesterday's sitting of the political sub-committee was adopted as the basis for the continuation of the conversations.

'Thus it is obvious that the drafting of the memorandum of the Russian delegation, having preceded the letter of the Russian delegation to the Prime Minister of Great Britain, this memorandum should be considered—in the event of a successful outcome of the pourparlers which are in progress—as a document expressing the opinion of the Russian delegation at the first stage of these pourparlers.'

## No. 88

P.C.S. 2B] *Meeting of Members of the Sub-Commission of the First Commission held on April 23, 1922, at 10.30 a.m. in the Palazzo Reale.*

PRESENT: *President:* Signor Facta.

*Belgium:* M. Theunis, M. Jaspar.

*British Empire:* The Rt. Hon. D. Lloyd George, O.M., M.P., The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P.

*Czechoslovakia:* M. Benes.

*France:* M. Barthou, M. Colrat.

*Italy:* Signor Schanzer.

*Japan:* Viscount Ishii, M. Kengo Mori.

*Poland:* M. Skirmunt.

*Portugal:* M. de Vasconcellos.

*Roumania:* M. Bratiano.

*Serb-Croat-Slovene Kingdom:* M. Ninčić.

The sitting opened at 10.30 A.M. under the presidency of Signor Facta.

M. BRATIANO desired to communicate the following declaration to the meeting in the name of his own country and also of Poland, Serb-Croat-Slovene Kingdom and Czechoslovakia:—

'We consider that the Russo-German Treaty<sup>1</sup> should be regarded from two points of view. None of us could remain indifferent to the blow which it has dealt to the work of the conference, and we are to-day once more called upon to deal with the consequences of its publication, but in view of the method of procedure adopted by these Powers, it is equally impossible for us to leave out of sight the actual substance of the Russo-German relations, of which this treaty is only a manifestation. Over and above the treaty, these Russo-German relations constitute by their very existence a danger for the peace of Europe.

'In the presence of this danger thus brought into relief another thing becomes strikingly clear; the obligation of unshakable solidarity both in substance and external manifestation imposed on those who with so much blood and by so many sacrifices have founded the peace which now exists.

<sup>1</sup> See No. 75, n. 1.

'The conference has for its object the further development of this peace. If then we are to remain faithful to the mission which has brought us to Genoa, we must above all secure and consolidate the peace of which, as the latest events have once more proved, understanding and harmony between those who have established it constitute the essential foundation and guarantee.

'We intend to collaborate without any spirit of exclusivism or animosity with all those who are willing to rally loyally to this work of sincere pacification. We believe, however, that a sure and permanent support is necessary in order to unite all those who genuinely desire to join in this work, and that such a support can only be secured by harmony among those who have brought about the peace.

'It is with the sense of this fundamental need that we should, in our opinion, proceed to an examination of the questions on which we have been called together to-day, and we have every confidence that they will be solved in this spirit, for the fact of our being called together is itself an evidence of such solidarity for which we wish to express our gratitude to those who have taken the initiative in the matter.

'The Russians and the Germans have produced a mischievous instrument, and at the same time have provoked a beneficent action. We have no doubt that the latter will not be less lasting than the dangers created by the former.'

THE PRESIDENT stated that he had listened with the greatest satisfaction to the declaration read by M. Bratiano. The object of the conference was to seek by all means to establish peace. This object had been accepted with enthusiasm by all the members of the conference. The declaration which M. Bratiano had just made proved once more that this object was unanimously desired. It had never been so necessary as it was at that moment to give to the world the impression that the labours of the conference were progressing favourably. The conference had arrived at the supreme phase of its labours. The world had set the greatest hopes on it. The disappointment of these hopes must be avoided at all costs, and for this purpose they must make up their minds to overcome all obstacles which might present themselves. No doubt the discussions which took place on the extremely serious questions submitted to the conference might be very animated, but notwithstanding that, the desire to arrive at positive results must come before everything else. It was in that spirit that he was happy to welcome the declaration just made by M. Bratiano.

He then begged the meeting to pass to the consideration of the agenda and reminded those present that at the last sitting<sup>2</sup> it had been decided to entrust to Mr. Lloyd George and M. Barthou the preparation of a draft reply to the German note of the 21st April.<sup>3</sup> It was this draft which it would be desirable to consider without delay.

MR. LLOYD GEORGE stated that he had listened with satisfaction to the

<sup>2</sup> See No. 86.

<sup>3</sup> Ibid., Annex II.

declaration of M. Bratiano. Like him he believed that the continuous co-operation of those who had had the responsibility of establishing the new European order was necessary to maintain that order and guarantee peace. He considered, however, that it was necessary to speak with perfect frankness on the present situation. As far as he was concerned he would do so with the greatest sincerity, as was proper between friends and allies. In the name of the British delegation he wished to indicate quite clearly that the co-operation of the British Empire with the Allies was only possible if they were all inspired by a real desire for peace. Otherwise, if the only object of the alliance was the maintenance of ancient antagonisms and of the old spirit of conflicts and hatreds, the result of which would be to perpetuate in Europe the agitations of the past, the British democracy would determine to keep definitely, categorically and absolutely outside the alliance. Recent events had considerably cooled the ardour with which the great majority of the British people welcomed co-operation with the Allies, a co-operation which had called for so many sacrifices before, during and after the war and even recently in the course of this conference. He profoundly regretted this fact.

He would, however, be failing in his duty towards the Allies and the British people if he did not say clearly that if obstacles were still raised on the way leading to general peace, the British democracy would follow its own path, and would associate itself with those who really wished for peace, whoever they might be and whatever its previous relations with them might have been.

M. BARTHOU wished to take advantage of the opportunity which had been granted to Mr. Lloyd George, in order, like him, to make a pronouncement on behalf of the French delegation. The French delegation had come to Genoa with the firm intention of collaborating loyally in the work of peace; since the work of the conference had begun, they had used every endeavour to enable the negotiations which had been undertaken to be carried on in a spirit of goodwill, friendship, sincerity and trustfulness. M. Barthou desired formally and publicly to give the assurance that the French delegation and the French democracy experienced the same feelings as the British delegation and the British democracy. It therefore did not seem to him possible that there should be serious divergences between the points of view of the two countries. There was, indeed, no assembly, however pacific, in which disagreements did not appear, but if the difficulties which arose were approached by all in a spirit of conciliation and of loyalty—and M. Barthou felt no doubt that that would be the case—they would be rapidly dissipated. The assembly which he was addressing would give the best proof of that will to arrive at positive results, if they set themselves at once to work and if they approached the discussion with absolute sincerity. In that way the collaboration in the work of peace for which Mr. Lloyd George had pleaded, and in the work of the economic restoration of Europe, would certainly be achieved in the most satisfactory manner. M. Barthou was anxious, in conclusion, to draw attention to the fact that the questions which were submitted to that assembly showed peremptorily that the obstacles to the successful result of

the conference and to the realisation of peace were not caused by the Allies but by others.

MR. LLOYD GEORGE said that he would not make any observations with regard to M. Barthou's declaration, although it would be open to him to do so, especially at that gathering from which neutrals were absent. There were in particular one or two things which he would like to say, but he would prefer to ignore the question, if it were possible, while disregarding it, to proceed with their labours. He observed that, at their previous sitting, the Allied delegates had reached agreement with regard to the main lines of the reply which they would make to Dr. Wirth. Mr. Lloyd George had asked Sir Cecil Hurst, who had collaborated with the eminent French lawyer, M. Fromageot, during the preparation of the peace treaties, to prepare a draft which would be strictly in accordance with the decisions which had been taken by common agreement at the sitting to which he had referred. He had not given further instructions to Sir Cecil Hurst. He submitted the draft to that assembly as it had been given to him; he was under the impression that the text was in faithful agreement with the conditions upon which agreement had been reached. At the president's request the draft reply to the German delegation prepared by the British delegation was read (Annex I).<sup>4</sup>

M. BARTHOU had also prepared a much shorter draft reply, but he considered that the draft proposed by Mr. Lloyd George was perfectly clear, and he had no objection to make with regard to it. He would merely like to add a paragraph. A German delegate had declared before the commission of the conference, that while he approved of a proposal which had been laid before him, he could not give it his support because it was in conformity with a stipulation in the Versailles Treaty,<sup>5</sup> the German delegate justified that attitude by observing that he had been instructed to avoid any act which would be equivalent to giving approbation to the provisions of the Treaty of Versailles. Since that was the case, and although it was not suitable at that meeting to pronounce any judgment upon the treaty between Germany and Russia, or to discuss it, M. Barthou considered that it was necessary to insert in the reply to Germany a clear reservation with regard to the right of the Powers to consider the provisions of that agreement, which might be

<sup>4</sup> Not printed. The reply, as finally agreed, is given at Annex II.

<sup>5</sup> M. Barthou was probably referring to a statement made by M. Stieler, the German delegate to the Second (Waterways) Sub-Commission, at a meeting of this sub-Commission on April 22, 1922 (C.T.W.2: not printed). Referring to Article 3 of the draft resolution of the Sub-Commission, which recommended that the convention relating to ports for which provision was made in the peace treaties should be elaborated and put into force at the earliest possible moment', M. Stieler made the following declaration: 'since no discussion was to be held relating to the peace treaties the sub-commission could not expect the German delegation to make a declaration with regard to the advisability of elaborating and putting into force at the earliest possible moment the convention relating to ports which had been provided for in the peace treaties.' He agreed with the President that 'the silence of the German delegation on the point in question merely signified . . . that they neither approved nor disapproved the text of the article. . . .'

contrary to the existing treaties, to be void. M. Barthou therefore proposed to add to the British draft the following paragraph:—

‘It is not the duty of the undersigned to comment upon the terms of the agreement between Germany and Russia, but they expressly reserve for their Governments the right to consider null and void any clauses of that agreement which might be recognised to be contrary to the existing treaties.’

MR. LLOYD GEORGE was in agreement with M. Barthou, provided that the latter should agree to suppress the first point contained in the paragraph which he proposed to add. Mr. Lloyd George considered it to be essential to avoid declaring that it was not the duty of the conference to consider the terms of the treaty between Germany and Russia; it would be dangerous, at that stage, to give up the right to all intervention in that matter. It might happen that the terms of that agreement would hinder the course of the work of the conference; the power and the right eventually to criticise it must be maintained.<sup>6</sup> With regard to the reservation which M. Barthou proposed in the second part of that paragraph, Mr. Lloyd George accepted it most willingly.

M. BARTHOU accepted Mr. Lloyd George’s point of view.

SIGNOR SCHANZER had also prepared a draft reply to Germany, but, as the meeting was in agreement, he was very glad to adopt the British draft, with the addition proposed by M. Barthou and amended by Mr. Lloyd George. At the same time, Signor Schanzer considered it necessary to inform Dr. Wirth that the Powers considered the incident as closed. It was very desirable that the German delegation should not make any further reply. The best means of drawing attention to that wish of the conference would be to put in at the end of the letter the passage ‘and to regard the incident as closed,’ which stood in the second paragraph of the British draft.

That proposal was adopted unanimously.

MR. LLOYD GEORGE proposed, in order to avoid any misunderstanding, to substitute for the words ‘London programme,’ which would be found in the third paragraph, the words ‘proposals formulated by their experts in London’.

That amendment was also adopted.

As no further observation was made with reference to the reply [to] the German delegation presented by the British delegation, THE PRESIDENT announced that it had been approved by the meeting with the amendment proposed by M. Barthou, Signor Schanzer and Mr. Lloyd George (Annex II).

The sitting then closed at 11.15.

<sup>6</sup> In the British Secretary’s Notes of this meeting (I.C.P. 246, not printed), Mr. Lloyd George’s speech read: ‘He did not wish to be tied down not to criticise the treaty later on in the proceedings of the conference, as he had been informed that certain clauses were in direct contravention to the principles laid down in some of the committees.’

ANNEX II TO No. 88

*Reply to German Note of April 21, 1922.*

Mr. President,

GENOA, *April 23, 1922*

The undersigned desire to acknowledge the receipt of your reply to their note of the 18th April<sup>7</sup> indicating the attitude which they felt bound to adopt in view of the treaty concluded between the Russian and German delegations. They note with satisfaction that the German delegation realises that the conclusion of a separate treaty with Russia on matters falling within the purview of the conference renders it undesirable that that delegation should participate in future in the discussion of the conditions of an agreement between Russia and the various countries represented at the conference.

The undersigned would have preferred to refrain from further correspondence on the subject.<sup>8</sup> There are, however, certain statements in your letter which they feel it their duty to correct.

Your letter suggests that the German delegation have been forced to conclude a separate agreement with Russia by the refusal of members of the delegations of the inviting Powers to consider the grievous difficulties which the proposals formulated by their experts in London<sup>9</sup> would have created for Germany. The undersigned representatives of the inviting Powers have made enquiries of the members of their respective delegations and find that there is no shadow of justification for this statement.

On various occasions members of the German delegation have met and talked with members of the delegations of the inviting Powers, but never has it been suggested that the London proposals afforded no basis for discussion in conference, and that the German delegation were about to conclude a separate treaty with Russia.

The allegation that the informal discussions with the Russians<sup>10</sup> on the subject of the recognition of debts exposed the delegation to the risk of being confronted with a scheme unacceptable to Germany, but already approved by the majority of the members of the commission, is equally unfounded. No scheme would or could have been accepted by the conference without the fullest opportunity for discussion in the competent committees and sub-committees, and in these Germany was represented on a footing of equality with other Powers.

A misconception of the scope of the experts' proposals, or misunderstanding of the informal conversations with the Russians, might well have justified a request for full discussion in the committees of the conference. They can provide no justification for the action which has now been taken, and the undersigned can only regret that your note should have attempted in this way to impose on the other Powers the responsibility for a proceeding so

<sup>7</sup> See No. 76, Appendix II.

<sup>8</sup> In the original draft, this sentence continued: ' . . . and to regard the incident as closed.'

<sup>9</sup> See No. 56, Appendix.

<sup>10</sup> See No. 72, No. 73, n. 2, and No. 74.

contrary to the spirit of loyal co-operation which is essential to the restoration of Europe.

The undersigned expressly reserve for their Governments the right to declare null and void any clauses in the Russo-German Treaty which may be recognised as contrary to existing treaties.

The incident may now be regarded as closed.<sup>11</sup>

Please accept, Mr. President, the assurance of our high consideration.

D. LLOYD GEORGE  
LOUIS BARTHOU  
FACTA  
K. ISHII  
G. THEUNIS  
EDOUARD BENES  
C. SKIRMUNT  
M. NINČIĆ  
CONST. DIAMANDY  
M. TEIXIRA-GOMES.

<sup>11</sup> In a memorandum of April 25, 1922, the British Secretary recorded the following in connection with the Allied Note to Germany of April 23, 1922: 'On the afternoon of April 24, Sir Edward Grigg received information that the Germans were about to send a reply to the above Note, and immediately communicated with the Marquis Visconti Venosta. A few minutes later the Marquis Visconti Venosta telephoned to say that the reply had arrived, and intimated that it was addressed to M. Facta as Prime Minister and not as President of the Conference. The same evening Baron Dufort called and brought a copy of the Note to Sir Edward Grigg. The note began by stating that the Germans would not send an official reply, but felt bound to make certain representations to M. Facta as Prime Minister of Italy. There then followed a long and wordy defence of the German attitude. The last paragraph was satisfactory. Sir Edward Grigg intimated to Baron Dufort that the Note should be withdrawn or else it should all be deleted except the first and last paragraphs. Baron Dufort went away to consult his principals but returned to say that Dr. Rathenau was unwilling to alter the Note. Sir Edward Grigg communicated particulars of this to Sir Maurice Hankey, who was dining at the Villa De Albertis, and Sir Maurice Hankey, on his return late in the evening to the Hotel Miramare, saw the Marquis Visconti Venosta and, under instructions from the Prime Minister, pointed out to him the inadvisability, particularly from the Italian point of view, of M. Facta allowing this Note to be addressed to him as Prime Minister. In any event, it would be absolutely necessary for M. Facta to show it to the signatories of the Note to the Germans and when this was done the fact would almost certainly leak out and there would be much trouble and misunderstanding.

'On the afternoon of April 25, the Marquis Visconti Venosta informed Sir Maurice Hankey that the note had been entirely withdrawn.'



I.C.P. 247] *British Secretary's Notes<sup>1</sup> of a Meeting held at the Palazzo Reale, Genoa, on Sunday, April 23, 1922, at 11.30 a.m.*

PRESENT: *Belgium*: M. Theunis, M. Jaspar; SECRETARIES AND EXPERTS: Viscount Davignon, Viscount Terlinden.

*British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P., Lord Birkenhead, The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P., Sir Philip Lloyd-Greame, K.B.E., M.C., M.P.; SECRETARIES AND EXPERTS: Sir Maurice Hankey, G.C.B., Sir Edward Grigg, K.C.V.O., C.M.G., Mr. Maxse, Mr. E. Allden.

*Czechoslovakia*: Dr. Benes.

*France*: M. Barthou, M. Colrat, M. Seydoux; SECRETARIES AND EXPERTS: M. François-Poncet, M. L'Amirault, M. Alphand, M. Ganaimi, M. de Felcourt.

*Italy*: Signor Facta, Signor Schanzer; SECRETARIES AND EXPERTS: Signor Jung, Signor Giannini, Signor Zanchi, Signor Varvaro.

*Japan*: Viscount Ishii, M. Kengo Mori; SECRETARY AND EXPERT: M. Ashida.

*Poland*: M. Skirmunt; SECRETARIES AND EXPERTS: M. Ciechanowski, M. Knoll, M. Strasburger.

*Portugal*: M. Gomes.

*Roumania*: M. Bratiano.

*Serb-Croat-Slovene State*: M. Ninčić.

*Sweden*: M. Branting, M. Trygger; SECRETARIES AND EXPERTS: M. Sanderstrom, Baron Hamilton, M. G. Branting, Jr., M. Reuterskiold.

*Switzerland*: M. Motta.

SECRETARY-GENERAL: Baron Romano Avezana.

INTERPRETER: M. Camerlynck.

*The Russian Memorandum<sup>2</sup> in reply to the London Experts.<sup>3</sup>*

SIGNOR FACTA said he opened the meeting for Signor Schanzer to speak on a point of order.

SIGNOR SCHANZER said that it seemed to him useless to discuss the terms of the document. He had read it and it only contained arguments which were well known and had been frequently used by the Bolsheviks. But all this had no actuality, as the Russians had since given a reply<sup>4</sup> which confirmed the basis of all further discussions between them and the other Powers. He thought that the only point which the meeting should discuss to-day was the fact of its publication. In this connection he desired to say on behalf of

<sup>1</sup> These are here printed in preference to the official minutes (P.C.S.2C), as they provide a clearer text.

<sup>2</sup> Printed as Annex 1 to this document. Concerning its publication and presentation, see Nos. 86 and 87.

<sup>3</sup> No. 56, Appendix.

<sup>4</sup> See No. 81, Appendix.

the president that a very strong verbal protest had been made to M. Chicherin that the Italian Government could not allow the distribution and the publication even in the conference of documents which traversed the conditions of the conference and conditions which the Russians had already accepted.

M. Chicherin had taken note of this protest and appeared to agree that it should not happen again.

M. BARTHOUS said that he quite agreed that it was not necessary to discuss the terms of this document; indeed, they should do everything possible to avoid this. The facts were that he had heard of the distribution of this document in the streets and of its production on the table of the experts' meeting.<sup>5</sup> As to the first point, he felt that he was only doing his duty and expressing the wishes of the meeting in thanking Signor Schanzer for having endeavoured to suppress a document of this very undesirable nature. As to the production at the experts' meeting, he was informed that the Russians had said that this memorandum was to form a basis of discussion together with their previous note and the reports of the experts. He had, as a matter of fact, read the document and it contained a great deal which was totally unexplainable to France, and in particular there were references to the Treaty of Versailles, which France could not for the moment accept. However, he suggested that the meeting should take it that the memorandum had completely disappeared and did not exist for the conference,<sup>6</sup> and in these circumstances he suggested that the committee of experts should go forward as quickly as possible to arrive at a successful conclusion of their labours.

VISCOUNT ISHII said that he understood from Signor Schanzer's explanation which he gave yesterday<sup>7</sup> that the distribution of this document in the streets was rather beyond the power of the Italian Government entirely to suppress and also, of more importance, that at the experts' meeting it was not a Russian expert who produced it, but someone else, and that it was not an official Russian document. Indeed, they had received a letter from M. Rakowsky<sup>8</sup> which was an official expression of the opinion of the Russian delegation and which referred to that document as an official document. In these circumstances its distribution was a matter of great importance and it was necessary to clear up who had really distributed it.

SIGNOR SCHANZER said that with the president's permission he would ask the Italian expert, Signor Jung, to explain the circumstances of the distribution. He wished, however, to point out to Viscount Ishii that the letter should be read as a whole and if this was done it was quite clear that the document was out of date and had been superseded by the subsequent Russian note.

<sup>5</sup> See Nos. 86 and 87.

<sup>6</sup> In the official version of this meeting (P.C.S.2C, not printed), this section read: 'It should be explicitly stated that the conference recognised only one Russian reply, only one Russian point of view; that contained in M. Chicherin's note of 20th April [No. 81, Appendix]. In this case, the French delegation would immediately take its place once more on the Commission of Experts, and was prepared to do all in its power to facilitate the work of the Conference.'

<sup>7</sup> See No. 86.

<sup>8</sup> No. 87, n. 3.

SIGNOR JUNG explained that the Russian memorandum had been published in the press early yesterday morning and that several experts of the delegations had asked if copies were available. Knowing that some copies were actually in the building, he had taken eight copies up and placed them on the table in the room in which the experts' meeting would be held, in case they were wanted. At the close of the meeting some of the experts had taken them.

MR. LLOYD GEORGE said that he completely agreed with M. Barthou that this document should not be treated as an official document. He feared that Rakowsky was one of those people who give out explanations of the delegation's views to the press. All delegations had this type of person; in fact, he had been told that M. Barthou had seven little Rakowsky's [*sic*] distributing the best French wine for our uncivilised palates. He would not hold M. Barthou responsible for their actions, and would not refuse to sit at the same table with M. Barthou if one of these people wrote something which he did not like; but that as a matter of fact this document, if anything, made our position stronger because it was clear that this had been the original Russian intention, which they had now abandoned.

M. BARTHOU said that Mr. Lloyd George was a master of humour and of dispersing the clouds of a serious situation. He did not himself know of any little Rakowsky's in the French delegation, nor had they distributed anything. All sorts of things were said. It was said that Mr. Lloyd George and M. Chicherin were intimate friends. He had also heard the tale of how M. Chicherin was taking a breath of sea air on the promenade when M. Barthou had arrived and shortly afterwards Mr. Lloyd George had also arrived and they had had a talk. But, seriously speaking, there would have been no incident if the Russians had not said at that meeting that the memorandum was being taken as a basis of discussion.

However, the memorandum was now regarded as non-existent and the incident was closed.

VISCOUNT ISHII did not wish to prolong the discussion and he was satisfied that the memorandum should be considered as non-existent, and he was also satisfied with the explanation of the Italian expert. He felt, however, that it was his duty to inform his colleagues on the conference of the painful experience which his Government had had in their negotiations with the Chita Government.<sup>9</sup> For the last six months they had been negotiating with the Republics of the Far East with the object of effecting the withdrawal of Japanese troops from Siberia. Sometimes the Russians had made a proposition which they had withdrawn the following week. Sometimes they had made simultaneously two propositions which were totally incompatible with each other. Sometimes they had offered the Japanese great commercial advantages which the Japanese refused to consider. When at length the negotiations were broken off, the Russians were now telling the press that

<sup>9</sup> For Far Eastern Affairs, 1920-2, including the Washington Conference on Pacific Affairs and the Limitation of Armament, November 11, 1921-February 6, 1922, see Vol. XIV.

the negotiations had broken down because of the excessive Japanese demands, and they had gone so far as to publish in the press a document purporting to be the Japanese demand for commercial advantages, but which was in reality the offer which the Japanese had received from the Chita Government. The Japanese delegation at Washington had, during these negotiations, been maintaining the policy of the open door in Siberia and the Japanese had naturally refused all advantages. He had called the attention of the conference to this as a good example of the way in which Russia carried on negotiations. He was inclined to fear from the mysterious way in which the Germans were behaving that the Russians might be treating the conference to a similar example of treachery and trifling. He felt there was grave danger in dealing with the Russians light-heartedly.

SIGNOR FACTA said that the point raised by the Japanese delegate was not on the order of the day and that no further discussion on the subject could take place. He wished, however, to thank him for the information which he had given.

He then informed the meeting that the committee of experts would meet at 4 o'clock that afternoon and declared the sitting closed.

*Hotel Miramare, Genoa, April 23, 1922.*

#### ANNEX I TO NO. 89

B.E.D. 276.] *Memorandum from the Russian Delegation.*

*Cannes Resolutions.*<sup>10</sup>

When, by a decision of the Supreme Council on the 10th January last,<sup>11</sup> Russia was invited to participate in the Genoa Conference, she was informed of the resolutions adopted by the Supreme Council at Cannes on the 6th January, but the invitation was not given subject to the acceptance of these resolutions or subject to any other requirement.

The Russian delegation, however, being of opinion that a strict and consistent interpretation of the Cannes resolutions might furnish a basis for a mutual understanding and for a settlement of the questions at issue between the Russian Republic and the Western Powers, stated, at the very first plenary sitting of the conference,<sup>12</sup> that Russia accepted in principle the provisions of the Cannes resolutions, while at the same time reserving the right to suggest amendments and to propose fresh articles. The Russian delegation believed that a common ground of agreement as regards the questions at issue might be found in the three fundamental points enunciated at Cannes: (1) Absolute respect for the sovereignty of each nation in establishing the system of ownership, internal economy and administration of its own country; (2) legislative, legal and administrative guarantees for the personal and real rights of foreigners desirous of proceeding to Russia to engage in economic pursuits; (3) recognition by all Governments of the principle of reciprocity in the fulfilment of their engagements and the pay-

<sup>10</sup> No. 6, Appendix.

<sup>11</sup> See No. 19.

<sup>12</sup> See No. 67.

ment of compensation for damages suffered by the nationals of foreign States, as set forth in the memorandum prepared for the press<sup>13</sup> by the Ministers and experts present at Cannes, the official nature of which was emphasised by the Prime Minister of Great Britain in his speech in the House of Commons on the 3rd April last.<sup>14</sup>

*Memorandum of the Experts and the Cannes Resolutions.*

The memorandum prepared in London during the period the 20th–28th March last by the Allied experts,<sup>15</sup> with which the Russian delegation did not become acquainted until the conference met,<sup>16</sup> differs clearly in its most essential particulars from the points enunciated at Cannes, and contradicts in its practical requirements the principles set forth in its own preamble. While contending that the Russian question had been examined from the point of view of ‘justice’ and of the necessity for the ‘economic reconstruction’ of Russia without ‘exploiting the Russian people’, the memorandum none the less sets forth definite requirements amounting in practice not only to the exploitation, but also to the absolute enslavement of the working population of Russia by foreign capital, and at the same time remains silent on the essential question as to the proper means to bring about the economic reconstruction of the country. This silence is particularly incomprehensible since, without the restoration of the productive forces of Russia, it is impossible even to imagine any economic revival of Europe in the industrial crisis—ever becoming worse—through which Europe is at the present time passing, with the shrinkage of markets, the shortage of food and raw materials and the ever increasing number of unemployed, the total of whom in Europe and America during recent years has not been less than 9,000,000. During the years 1916–1920, Great Britain, Italy, France and Germany produced 25,000,000 tons of wheat less per year than before the war, and the continued loss of the 8,000,000 tons which they imported annually from Russia involves them in a very serious food crisis, and deprives their industries of all possibility of expansion. American wheat is to-day already too costly for Europe. The lack of markets and the absence of customers able to pay compel industry to reduce its output to less than 50 per cent. of its full capacity. It is this condition of affairs which led to the Cannes resolutions and to the Genoa Conference; and yet, although the crux of the problem is manifestly the reconstruction of Russia and the countries of the West, and not the re-establishment of the rights and interests of the small group of creditors of Russia, it is on the latter question that the London memorandum concentrated.

*Future Labour Conditions.*

In view of the general principles set forth in the preamble of the London memorandum, the representatives of the European Governments at the conference should give special attention to the question of the measures

<sup>13</sup> See No. 21, Appendix II.

<sup>14</sup> See No. 67, n. 5.

<sup>15</sup> See No. 56, Appendix.

<sup>16</sup> See No. 69.

necessary for the restoration of the productive forces of Russia, and not to the means of satisfying the claims of the creditors of Russia, which is what the memorandum does.

However just they may be in general, the claims of individual nationals of this or that country should take second place after the immense problems on the one part of the economic reconstruction of Europe, disorganised by the war, by post-war policy and by the universal economic crisis, and on the other part of the improvement of the conditions of life of the working classes. The only means of achieving a speedy revival of the economic strength of Russia is immediate and vigorous assistance to the Russian people by European capital and skill in the form of long-term credits in money and kind, and not by the complete draining of their resources and the retardation of their economic development for the profit of a group of foreign capitalists.

In view of the need for the re-establishment of the economic prosperity of Russia by all means possible at present, the Government of the Republic, since the adoption of its new economic policy,<sup>17</sup> has reformed civil legislation and legal procedure in such a way as to afford to foreign capital more than ample guarantees and to place it in circumstances ensuring, within the order of established institutions, to its interests and to its conceptions of law conditions conducive to fruitful work.

The demands for guarantees in respect of the rights of foreigners, set forth in the 8th and following paragraphs of the London memorandum, are clearly based on an inadequate knowledge of recent Russian legislation. During the last few months, the Russian Government has already enacted the following legal measures:—<sup>18</sup>

1. Freedom of internal trade.
2. Legal guarantee of the freedom of industrial enterprise and of private capital in the undertakings entrusted by the State to private exploitation.
3. Freedom for all to engage in all non-prohibited forms of industrial and commercial activity.
4. Guarantee to all individuals, and especially foreigners, against all illegal requisitions, confiscations, arrest, &c.
5. Special guarantees for foreign holders of concessions by reason of their contracts.
6. Civil code and civil courts which include lawyers.

The labour organisations of the Soviet Republic have decided to turn their attention above all to the protection of labour and to the regularising of the relations between workers and employers by means of collective contracts; they relinquish all intervention in the management of undertakings.

The Russian delegation, attaching the utmost importance to placing foreign capital in the most favourable conditions, is ready to take into consideration all the desiderata which may be submitted to it for the development and the consolidation of the guarantees set forth above. The Russian

<sup>17</sup> In March, 1921.

<sup>18</sup> Cf. Nos. 46, 57, and 58.

delegation entertains no doubt that it will be easy to arrive at a practical agreement regarding the enterprises of foreigners in Russia and the protection of their persons and property; but it must point out that the legislative and administrative measures of the Soviet Government cannot have their full effect in regard to the protection of the interests of foreign capital both within and without Russian territory, until the Russian Government has been recognised *de jure*, and that its rights and jurisdiction can admit of no dispute.

If foreign business men, who, even more than their Governments, understand how important and indispensable it is for them to enter Russia, refrain from so doing, it is not because the Tsarist debts have not been paid, but because the formal rights of the Soviet Government are still uncertain in the eyes of foreign Governments and from that fact fresh troubles may arise which would imperil capital invested in Russia.

The delegation furthermore thinks it necessary to observe that the authors of the London memorandum, when pointing out in Part II the guarantees which they believe indispensable for foreign capital in Russia, depart radically from paragraph 1 of the Cannes resolutions in seeking to impose on Russia internal legislation repugnant to its régime and aim, on the pretext of creating 'working conditions advantageous' to foreign capital, at introducing a system of capitulations infringing Russian sovereignty. The most conclusive examples will be found in paragraph 24 of the memorandum, which aims at establishing a state of legal extra-territoriality for the benefit of foreigners, and also in the entire organisation of the Commission of the Russian Debt, the scheme for which is set forth in Annex I to the memorandum, and which, if it were established, would without a doubt turn into an institution for the foreign control of the whole economic life of the republic, as, for example, the Reparation Commission set up by the Treaty of Versailles in regard to Germany.

#### *Authority of the Soviet Government and its Obligations.*

The delegation declares that the authority of the Soviets, resulting from the great Russian revolution, has always conformed to, and intends always to conform to, the obligations which it undertakes, and the legal guarantees which it offers to any one are not less real than those of any other sovereign State. During the last two years, although the Soviet Government had concluded abroad a number of contracts for important sums in gold, there has not been one single case where it violated or failed to fulfil the obligations to which it had agreed. The delegation declares in the most categorical manner that all suggestions to the contrary, which appear from time to time in the press, are pure inventions.

If the Soviet authority has refused to recognise the obligations of its predecessors or to satisfy the claims of persons who suffered owing to its measures of internal policy, such as nationalisation of undertakings, municipalisation of buildings, requisition or confiscation of private property, it is not because it is 'incapable' of or 'unwilling' to honour its obligations, but for reasons of principle or motives of political necessity.

The revolution of 1917, by the very fact that it destroyed from top to bottom the former political conditions, both social and economic, in order to replace them by an entirely different organisation of society, and that it gave the power into the hands of other social classes, broke the continuity of civil obligations which formed an integral part of the former economic régime of society; and these obligations disappeared with that régime of society itself. This revolution was a tremendous cataclysm such as the world has known only at exceptional moments of its history, and its character of *force majeure* cannot be disputed by any *objectif* statesman. One can therefore apply to revolutionary Russia, even more than to any other country in the throes of social commotion, the opinion of many authorities on international law, who deny to the Governments of countries, the nationals of whom may have suffered as a result of these commotions, the right to claim compensation for damages suffered, and consequently more so the right of using force to obtain satisfaction for these claims.

In refusing firmly, in the first instance, all responsibility for the damages caused to foreign property by the economic crisis resulting from the war and its consequences, or by the state of neglect in which such property was left by owners who went abroad, and also all responsibility for the devastation suffered by foreign property in the course of the Allied intervention in Russia, and by the civil war countenanced by the Allied Governments, the Russian delegation must call the attention of the conference to the fact that even the measures applied in a systematic manner by the Soviet authority, such as the nationalisation of the means of production and the requisitioning of property owned by foreigners, do not impose on the Russian Government any liability to pay compensation for the losses suffered. From the very outset the Allied Governments, and under their pressure the neutral Governments also, were hostile to the Soviet revolution, and refused to enter into official relations with the new Government even before the latter had enacted its original decrees dealing with nationalisation.<sup>19</sup> Not once did they endeavour to arrive at any agreement with the Soviet authority for the protection of the rights of their nationals and the liquidation in a friendly manner of their property rights in Russia, although in every case without exception in which representatives of foreign Governments entered into contact with the Soviet authority in order to safeguard the rights of their nationals, the Russian Government took all steps possible to bring to an end the requisitions and to repair the damages incurred.

This occurred in the case of certain foreign factories whose owners and managers placed themselves in touch with the Government, and which, for this reason, escaped nationalisation and are still working as private concerns. Instead of applying themselves to the safeguarding of the interests of their nationals in the social upheaval through which Russia passed, the foreign Governments—both belligerent and neutral—recalled from Russia not only their diplomatic and consular representatives, but also such private in-

<sup>19</sup> The nationalisation of all large-scale industry was decreed by the Soviet Government in June, 1918.



dividuals as responded to their summons. Foreign property was left to chance, thus jeopardising the whole industry of the country in view of the exceptional importance of numerous foreign undertakings to the economic life of Russia.

*Foreign Intervention.*<sup>20</sup>

Far from being satisfied with this rupture of relations with Soviet Russia, the Entente Powers initiated military intervention and a formal blockade, openly assisting local risings instigated by their own agents (Czechoslovak revolt, Don and Kuban Cossacks, Siberian and Javoslav White Guards, &c.), and rendering help to Kolchak, Denikin, Yudenitch, Wrangel, &c., by sending Allied forces to Southern Russia, the Black Sea and the Caucasus. There is documentary evidence to the effect that even in the early months of its existence the Soviet Government had no difficulty in overcoming local revolts on the part of elements dissatisfied with the new régime, and that only where these factions were organised by the Allied Governments, and received from them actual assistance in the form of money, munitions, war material and instructors, did these small sporadic revolts develop into real 'fronts' of civil war, with their accompaniment of savage violence, destruction of whole villages, Jewish pogroms, and other atrocities. Expert military opinion is definite on this point: without the intervention of foreign Powers the various local risings which took place in Russia would never have assumed the character of terrible civil war into which they eventually developed; the blame and responsibility of the Allied Governments in organising and maintaining civil war in Russia, and for the enormous losses which the Russian people and State have suffered do not, therefore, admit of any doubt whatever (see Annex II).<sup>21</sup>

A share in this responsibility devolves also on the neutral States, which in addition to affording their hospitality to anti-revolutionary elements, to organise on their territory conspiracies against Russia, the enrolment of troops for civil war, the purchase and transport of armaments, also participated in the boycott and the blockade of Russia. Forced by foreign intervention and the blockade into a desperate defence the Soviet authority was compelled to hasten the nationalisation of industry and trade, and also to apply to holders of foreign property in Russia, the same measures of liquidation, confiscation or nationalisation without indemnity of private property, measures which had become customary between belligerents, particularly on the part of the Allies. It must, however, be added that the Soviet Government has never applied measures restricting the personal and real rights of foreigners purely because the state of defence against intervention entitled it to do so. These measures were applied only to the extent to which they were rendered necessary for security and common welfare, and particularly

<sup>20</sup> For the allied intervention in Russia, see Richard H. Ullman, *Intervention and the War* (Princeton University Press, 1961), and *Britain and the Russian Civil War* (Princeton University Press, 1968).

<sup>21</sup> Not printed (see No. 81, Appendix).

the scheme of nationalisation which was rendered inevitable by the new legal and economic régime, and the urgent necessity for reorganising production and distribution in a State isolated and cut off by blockade from the whole world. In doing this the Soviet Government only exercised the undeniable right which every State has to inflict public burdens on its citizens and foreign nationals as well as to dispose of their property when the supreme interest of the nation demands it.

The Allied intervention and blockade, and the civil war subsidised by them for more than three years, have inflicted on Russia losses far surpassing the claims which can possibly be presented to it by foreigners injured by the revolution. Leaving out of account the gold, material, and goods sequestered abroad or imported from Russia, the Russian State claims to be indemnified for the destructions caused through war, for the railways, bridges, rolling-stock, port equipment, buildings of all kinds destroyed and ships sunk, as well as for the factories, works, mines and private property of its nationals, the farms and the houses burnt and pillaged. It demands, moreover, the restitution of its navy and merchant ships captured by the Allied Powers themselves, or the White troops under their protection.

In addition to these claims respecting damages caused directly to the wealth of the State and of private individuals, there remain to be compensated a long list of damages caused to the nationalised industry or to private property in consequence of military operations on the territories occupied by foreign or White armies, and also the maintenance of several hundreds of thousands of injured in the civil war, and of the families of the victims.

These losses incurred by the Russian State and people are incontestably more deserving of being indemnified than the claims of the ex-owners of property in Russia or Russian loans, apart from the fact that the latter individuals are members of the nations victorious in the world war, and have benefited by the colossal contributions paid by the beaten, while their aims are against the country completely ruined by warfare and foreign intervention, and which is struggling desperately for its right to exist in that form of organisation which alone it finds possible.

It is truly curious to listen to the presentation of claims for damages suffered by the nationals of States which have waged war unsuccessfully against Russia, claims urged by representatives of Governments which, throughout the entire duration of the war, applied in their territory the right of confiscation against the nationals of the opposing party, and who, in the Treaty of Versailles, have raised this right to the dignity of a principle even in times of peace; by those who have inflicted on the entire population of a conquered State the material responsibility for damages incurred by its conquerors through the military acts of the defeated Government.

*The Soviet Authority is Agreeable to Mutual Indemnification for Damages.*

Nevertheless, the Government of the Russian Republic, being desirous of finding a favourable ground for an agreement, and for the re-establishment of commercial relations with foreign capital, is ready to acknowledge the

right of foreign nationals to compensation for the losses which they have suffered, on the condition, however, of complete reciprocity demanded in the press note of the 11th January already referred to, which spoke of the 'acknowledgement by every country of its public debt, and of the indemnifying for the losses and damages caused by the acts of their Governments,' the Soviet Government setting against the losses of foreign nationals due to the acts of the Soviet authority, the losses suffered by Russia owing to the ravages of the Allied troops and the White Guards maintained by them, consents to discuss them both, and to compensate the former if the balance is not in its favour.

### *Russian War Debts.*

It is to be regretted that the Allied experts, departing from the principles of justice and of reconstruction without exploitation expressed in their memorandum, refused to adhere to this point of view and proposed to settle the claims of Russia for the damages which she has sustained by a special category of Allied claims, namely the 'war debts' of the Russian Government (paragraphs 5 and 6 of the memorandum).

This desire to eliminate the rightful claims of the Russian people for the undeniable damages inflicted on her by the military intervention of foreign Governments, in setting against them what they are pleased to call 'war debts', in other words, a class of inter-Allied liabilities the complete cancellation of which has been placed on the agenda by the Allies themselves, appears, to say the least, strange to the Russian delegation.

It is compelled to decline in the most categorical manner any summons to pay these debts, as being an inadmissible attempt to impose on ruined Russia a considerable share of the cost of the war waged by the Allied Powers. What is called the 'war debts' of Russia is in reality the war material manufactured by the Allied factories and sent to the Russian front to ensure the success of the Allied arms. The Russian nation sacrificed to the common cause of the Allies more lives than all the rest put together; it sustained colossal material losses, and the result of that war has been for it the loss of immense territories of the utmost importance for her development. And now, when the other Allies have obtained as a result of the Peace Treaties enormous increases of territory and heavy payments, it is desired to make the Russian people pay the costs of a venture which has proved so profitable to others. The Russian delegation invites all the members of the conference to appreciate the flimsiness of, and lack of foundation for, such a demand.

### *Aspirations After the Re-Establishment of Private Ownership in Russia.*

The Russian delegation must, moreover, observe that in spite of paragraph 1 of the Cannes resolutions, which recognises the right of each nation to establish the system of ownership and internal economy which it prefers, the experts' memorandum raises in many places the question of the restoration of nationalised concerns to their ex-owners, or in other words, of the re-establishment, open or concealed, of private ownership of industrial

undertakings as opposed to the system of State ownership established in Russia. The Soviet Government, desiring the most rapid possible re-establishment of industry and its highest output, is endeavouring, in farming out the mines, factories, and other concerns, to give preference to their ex-owners, who possess experience and a knowledge of the country. But it could not possibly consent to any condition involving restoration of its undertakings to private ownership or even to their compulsory leasing to their former proprietors, for this would be an infringement of the sovereign rights of the republic and of its liberty to organise its existing productive forces as best to meet the needs and the interests of the Russian people. It is needless to add that the return to private ownership, together with the restoration of former properties within their limits would present in most departments of important industries, such as naphtha, coal and electricity, a serious obstacle to the progress of the productive forces of Russia, and to the rapid reconstruction of her national economy.

The memorandum does not indicate the possible figure of the debts of Russia originating from her old obligations and from private claims. According to calculations made by the foreign economic press, the total of the debts of all the categories enumerated in the memorandum must be about equal to 18½ milliards of gold roubles. After deducting war debts the total is arrived at, for pre-war debts and private claims with interest up to the 1st December, 1921, of about 11 milliards, with interest up to the 1st November, 1927, about 13 (?) milliards. If it is momentarily admitted that the Soviet Government agrees to pay in full its debts in the period fixed, the first payment with interest and amortisation of one-twenty-fifth of the capital would amount to a sum of some 1·2 milliards.

The Imperial Government, when imposing upon the population the maximum of effort and in a position to rely on the production and foreign trade of pre-war days, with a surplus of exports over imports, was able in the five years immediately preceding the war to pay on an average 366,000,000, roughly 400,000,000 roubles a year, with interest and amortisation. In order to be in a position to pay the sum indicated of 1·2 milliards a year Russia would not only have to attain the pre-war production as from 1927, but to triplicate it. As the national revenue of Russia was before the war 101 roubles per head and is to-day some 30 roubles, i.e. is diminished by more than two-thirds, the memorandum appears to suppose that within the period of five years the national revenue will be increased nine times. To what degree such a supposition is unrealisable the example of England is evidence, as well as that of France, of Germany and of Russia, whose national revenue per head increased upon an average some 60 per cent. between 1894 and 1913, or an average of some 3 per cent. per annum. The Russian delegation agrees that under the Soviet régime the productive forces of Russia will develop much more quickly than the capitalist States of the west, or than under the Tsarist régime in Russia. The Russian delegation is even ready to admit that this revenue will increase twice as quickly. But the delegation, optimistic as they may be respecting the power of the Soviets, considers

baseless the theory that the increase of the annual revenue between 1922 and 1927 could proceed sixty times more quickly than before the war. Russian economy is deeply troubled. According to the most optimistic estimates, the national annual net revenue has fallen from a pre-war total of 12 milliards to 4 milliards. If our national revenue increased twice as quickly as before the war and doubled in sixteen years, twenty-five years would have to elapse before Russia could regain her pre-war scale of production. Further, as the country must, above all, and with the maximum of exactitude, pay the interest and amortisation of the new loans, which are to help her to recover as these payments must begin long before the date indicated, there will no longer be available for Russia for so long ahead as we can see any resources with which she will be able to honour her engagements. This conclusion will of necessity be confirmed by any impartial and technical conscientious commission of expert economists, who are given facilities to study our economic situation.

How impossible payments which are being demanded from us are the following details will show. The Tsarist Government spent each year before the war for the service of its debt a sum equivalent to 3.3 per cent. of its total annual national revenue and some 13 per cent. of its budget. The memorandum of the experts considers it possible to demand from Russia within five years the annual payment of a sum equivalent to 20 per cent. of her national revenue, which it is supposed will have been increased by 30 per cent., and equivalent to some 80 per cent. of the present budget. These demands are to be made without taking account of the fact that they must be made for the profit of countries whose national revenue per head is seven or eight times greater than that of Russia.

If the Soviet Government were to undertake to pay out of the national revenue of a country even partly ruined only the sums accruing under the obligations enumerated in the London memorandum, it would not only result in a systematic failure to satisfy the needs of its population and in its population's chronic impoverishment, but it would also seriously hinder the progress of economic reconstruction.

Russia would be incapable of resuming within a short delay her rôle of the chief supplier of wheat and raw materials to Europe. Russia would be incapable of becoming the immense market for Western industry, and, whilst re-establishing her own economic situation, of being one of the chief elements of the economic reconstruction of the whole world. If the supply of the new credits intended for the economic reconstruction of Europe is subordinated to the payment of her old obligations, and if all positive results of the new loans and of the acceleration of her economic reconstruction are consecrated to the payment of these old debts, the new credits will lose all their meaning for the Russian people. The Russian people will be obliged to continue from their own resources the work which they have already commenced, and to advance slowly in their economic reconstruction in the natural course of events, without expecting the aid of foreign capital. And yet it is not only the Russian people but all the peoples of Europe and

America and also the overwhelming majority of the industrial and the commercial populations of all countries who are very specially interested, not in recompensing a small number of old creditors, but in renewing economic relations with Russia, and in causing their capital to function in that country on conditions guaranteeing sufficient advantages to that capital whilst favouring the economic development of Russia.

*Necessity for General Liquidation of the Financial Engagements of the War Period.*

As a result of the war, all the States of Europe are in an advanced condition of economic decay, and all interest-bearing securities in the hands of the possessing classes which date from before the war or from the period of the war (shares, loan bonds, &c.) no longer in any way correspond to the dimensions of the actual national income, just as State obligations no longer correspond to the scale of the budgets. Hence, there arises the necessity, which is becoming more and more clearly felt, of putting all these securities and loans into proper relation to national production and to national income. This necessity finds expression either in the bankruptcy to which a number of States are moving, having been obliged to renounce the payment of their war debts, or in the enormous bank failures and failures of private commercial houses and in the continuous fall in the prices of shares and securities of every description. Whilst Governments refuse payment or are exempted from it in practice, whilst business houses and private banks go into bankruptcy, whilst the labouring masses pay for the shocks of the war by an enormous drop in their standard of comfort, according to the experts' report in the whole world one single category of individuals is to remain untouched—the creditors of Russia, who alone are to receive their dues in full as if the Russian revolution had guaranteed them against all the risks and all the losses borne throughout the world by the masses of the people and by capitalistic circles.

In consequence of the foregoing, the Russian delegation proposes as regards the question of debts and reciprocal obligations the solution which has been set out above, and which is in complete harmony with the actual economic situation arising from the world war and the subsequent disturbances as well as with the needs and demands of the economic reconstruction of the whole world.

The Russian delegation once more, and with particular emphasis, draws the attention of public opinion in all lands to the fact that the Soviet Government, in the course of these discussions, desiring to reach an agreement, puts in the foreground the interests of the future of Russia and the economic progress of all Europe. On the other hand, there is a risk that the agreement thus sought may be rendered impossible, or postponed, by the narrow and egoistic claims of the small group of former creditors of Russia who, unfortunately, exercise too much influence on the policy of Governments.

P.C.S.E. 3] *Third Meeting of the Committee of Experts on Russian Questions, April 23, 1922, at 4 p.m.*

**PRESENT:** *President:* The Rt. Hon. Sir Laming Worthington-Evans, Bt. M.P.  
*Belgium:* M. Cattier, M. Galopin.

*British Empire:* The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P., Sir Philip Lloyd-Greame, K.B.E., M.C., M.P., Sir Sydney Chapman.

*Czechoslovakia:* M. Girsá, M. Dvoracek.

*France:* M. Seydoux, M. Alphand.

*Italy:* Signor Giannini, Signor Jung.

*Japan:* M. Kengo Mori, M. Sekiba.

*Netherlands:* M. Struycken, M. ter Meulen.

*Russia:* M. Rakowsky, M. Litvinoff, M. Krassin, M. Rudzutak.

**SECRETARY:** M. Zanchi.

**INTERPRETER:** M. Russell.

The sitting opened at 4 P.M.

SIR LAMING WORTHINGTON-EVANS, in opening the sitting, said that the committee had to examine the London experts' report<sup>1</sup> to see how far they could agree and to report on the agreements arrived at. He thought that it would be necessary, first of all, to examine M. Chicherin's letter<sup>2</sup> to Mr. Lloyd George. But, since all the points raised in the letter were raised in the experts' report, he thought it would be best to take the report article by article and consider the questions raised in the letter as they arose in the course of the discussion. Their principal object was to achieve some result.

M. RAKOWSKY said that he thought the president proposed to begin the discussion by considering the experts' report. However, there was one objection to this method of procedure, and that was that the experts' report was a thing of the past. Negotiations had been in progress since the writing of the report. These negotiations had now taken a fresh development in M. Chicherin's letter. It was this letter that ought to be discussed first.

SIR LAMING WORTHINGTON-EVANS thought that the best method of procedure, if they were to be able to examine all questions, was to discuss the experts' report and, when questions were raised which were not in the report, to refer to the letter.

SIGNOR GIANNINI concurred with the president in this proposal.

M. RAKOWSKY observed that there were certain points in M. Chicherin's letter which had not been raised previously; for example, the question of financial assistance to Russia had not been considered before.

SIR LAMING WORTHINGTON-EVANS said that this question would have to be considered separately when the sub-committee had finished discussing the experts' report.

M. RAKOWSKY said that some proposals had been expressed in a definite

<sup>1</sup> See No. 56, Appendix.

<sup>2</sup> See No. 81, Appendix.

form in M. Chicherin's letter and that on other points there were no definite proposals; for example, in regard to the question of the loan to Russia. Consequently, he proposed that the question of the loan should be discussed in order that they might be able to formulate a concrete proposal.

SIR LAMING WORTHINGTON-EVANS said that it was impossible to discuss everything at once. The question of financial assistance was certainly very important, but they must first discuss the report and then financial assistance.

M. RAKOWSKY said that he must press his proposal that they should discuss financial assistance first.

SIR LAMING WORTHINGTON-EVANS replied that the whole question of financial assistance to Russia would depend on the attitude of Russia to the articles in the experts' report. They had to lay the foundation before they could build the structure.

M. RAKOWSKY said that the present state of the question was as follows: the Russian delegation had made certain concessions; some concessions were set forth in M. Chicherin's letter. It seemed to him necessary to fix what counter-concessions the Allies were ready to make in the form of financial assistance.

M. STRUYCKEN said that they could not admit that the recognition of Russian debts was a concession.

M. SEYDOUX said that he feared that the Russian delegation was endeavouring to confuse the situation. The Cannes resolutions<sup>3</sup> explained on what conditions financial assistance could be given to Russia. These conditions were those which they now wanted to discuss—the recognition of debts, &c.; until these debts had been recognised it would be absolutely impossible to fix conditions for the advance of money to Russia. Private capital went where it was to its interest to go. He did not look at the question from the political point of view, but from a purely practical point of view. If Russia desired to obtain capital, whether from private sources or perhaps also from Governments, she must provide guarantees, and these guarantees were definitely laid down in the Cannes resolutions and discussed in the London report.

M. RAKOWSKY desired in the first place to define exactly what the Russian delegation meant by the word 'concessions'. The Russian delegation had admitted the conditions laid down at Cannes because they contained the principle of reciprocity. In opposition to the claims for the payment of debts and the claims of a private character, Russia had put forward certain demands, and that was within the limits of the Cannes conditions. But in the course of the negotiations they had ceased to discuss principles, and had thought fit to consider the question from the point of view of practical interests—concessions on both sides alike. M. Chicherin's letter to Mr. Lloyd George was the result. Accordingly, when the Russian delegation said that it had made 'concessions', it was referring to its original point of view. From this point of view, M. Chicherin's letter represented a 'concession' made by the Russian delegation. The Russian delegation accordingly had agreed to

<sup>3</sup> See No. 6, Appendix.



discuss the proposals submitted to it, but it now expected to be informed what was likely to be done to help Russia. M. Seydoux, continued M. Rakowsky, had dealt with the conditions on which private capital could be advanced for the economic reconstruction of Russia. M. Rakowsky agreed with the French delegate that private capital must have security and must know the conditions under which it could be used in Russia. But M. Seydoux had not dealt with the question of financial assistance of Governments to Russia. It was for the Committee of Experts to find a way of giving definite and real assistance independent of the caprice of private individuals. The Russian delegation could not allow the question of debts and conditions of payment to be raised continually without knowing what material assistance in the form of a loan it was proposed to give Russia. They might have to wait a very long time for private capital, perhaps ten years, and it was essential to find a way of procuring immediate financial assistance.

THE PRESIDENT said that they could not discuss M. Rakowsky's statements then. The committee did not desire to establish whether it was the Allies or the Russians who had made concessions. That was a political question, with which a committee of experts had nothing whatever to do. The meeting must confine itself to considering each article in the London report to find out if they could arrive at an agreement on each article and to consider also the points in M. Chicherin's letter referring to each of these articles. They would thus discover on what points there was a divergence of opinion. The President submitted to the committee a formal proposal that this procedure should be adopted. The proposal was carried unanimously, except for the Russian delegation.

M. LITVINOFF observed that the views of the Russian delegation had been set forth in the first instance in a document.<sup>4</sup> It was not necessary to advance theories; what they wanted to do was to find solutions. But it was impossible for him to further the discussion on one of the most important points, namely, the payment of debts, without knowing the financial situation in which Russia would be placed. He therefore asked that the question of financial assistance should be discussed first. They could proceed to discuss the other questions later.

THE PRESIDENT reminded the Russian delegation that the amount of financial assistance they would obtain from private sources, or even from Governments, depended almost entirely upon the attitude of the Russian Government to the principal conditions laid down in the London report. As the majority of the members of the commission were in favour of discussing the articles *seriatim*, he proposed that they should begin the discussion at once. If the Russian delegation requested alterations to be made in the drafting, such alterations could be made at once.

The President read article 1, and asked the Russian delegation to give their views on this article, calling attention to the paragraph in M. Chicherin's letter which dealt with article 1.

<sup>4</sup> See No. 89, Annex I.

M. RAKOWSKY proposed the following compromise, since the majority of the committee approved the method of procedure proposed by the president; that the question of financial assistance to Russia should be referred to a sub-committee, to which the Russian delegation should give all the necessary information. This sub-committee could work parallel with the committee.

THE PRESIDENT replied that there could be no question of setting up a sub-committee until the committee had settled the general question. He asked the Russian delegation again whether it had any remarks to make in regard to article 1.

M. RAKOWSKY said it was impossible for the Russian delegation to reply to these questions in detail because they knew only the obligations imposed upon them, and not the counterpart of these obligations, because they had not yet been informed what financial assistance Russia was to get.

THE PRESIDENT asked the Russian delegation to call attention to the paragraph in M. Chicherin's letter which dealt with article 1.

M. LITVINOFF said that this reference would be found in the annex to the minutes of the conversations held at the Villa d'Albertis on the 15th April.<sup>5</sup> In his letter M. Chicherin referred to this annex. The letter accepted the provisions in paragraph 1 on condition that war debts were written off, that a part of the interest was remitted, and that the payment of interest was deferred.

THE PRESIDENT asked if the Russian delegation proposed to write off the war debts entirely.

M. RAKOWSKY replied that Russia proposed to write off the war debts entirely.

THE PRESIDENT then asked if Russia would pay no interest on war debts.

M. LITVINOFF replied that if Russia was not ready to pay the capital she would not be ready to pay the interest either.

M. SEYDOUX observed that according to this method war debts were recognised on condition that they were written off.

THE PRESIDENT reminded the Russian delegates that article 1 referred not only to war debts, but also to pre-war debts.

SIGNOR GIANNINI reminded the Russian delegation that the committee had met with a view to serious work. It was absolutely necessary to find some method of discussion, for otherwise they would never make any progress. He thought it would be difficult to discuss each article separately, and he proposed that they should take a group of articles which had some connection with one another, for example, articles 1 to 7. After discussing this group and arriving at an agreement they could take the following group.

This proposal was adopted.

THE PRESIDENT asked the Russian delegation if it accepted article 2, and if the provisions of that article were covered by M. Chicherin's letter.

M. LITVINOFF said that as he was absolutely opposed to the method of procedure adopted by the committee, he could only refer to M. Chicherin's letter. He was willing, however, to give any information asked for on this

<sup>5</sup> See No. 74, Appendix.

subject. He would also be very glad to know the interpretation of the other members of the committee on the various articles in the London experts' report.

THE PRESIDENT reminded the delegates that M. Chicherin's letter had been accepted as a basis of discussion. They would never arrive at an agreement if the Russian delegation, in answer to every question, merely referred to the letter, thus refusing all discussion.

SIGNOR GIANNINI observed that the method of procedure which he had proposed was very similar to the proposals of the Russian delegation. Instead of discussing the report, article by article, they could discuss a group of seven articles, which covered more or less the contents of M. Chicherin's letter and the annex.

M. LITVINOFF said if they followed the procedure that had been agreed upon he did not see how the preliminary conversations at the Villa d'Alberty<sup>6</sup> had helped matters at all. In the course of these conversations the Russian delegation had accepted certain obligations, subject to certain reservations. It now awaited the reply of the other delegations concerning these conditions, and until they had obtained a reply it was impossible for the Russian delegation to discuss the details of its obligations.

SIR PHILIP LLOYD-GREAME said that at the meetings at the Villa d'Alberty it was definitely agreed that they should first of all take the points in the annex, and then the other points should be taken one by one. He referred for confirmation to the experts who were present at these conversations.

M. CATTIER, M. SEYDOUX and SIGNOR GIANNINI confirmed the statements of Sir Philip Lloyd-Greame.

M. LITVINOFF replied that they did not come to any agreement at the Villa d'Alberty. Certain proposals were put to the Russian delegation, whose reply was contained in M. Chicherin's letter in which he accepted certain proposals on condition that Russia received financial help.

SIR PHILIP LLOYD-GREAME said that it was clearly understood that the procedure which was to be followed was that they should take the points one by one.

M. RAKOWSKY said that the Russian delegation did not accept<sup>7</sup> a detailed reply in regard to the question of financial assistance, but would like some idea as to the possibilities and probabilities on this point before defining their position in regard to debts.

THE PRESIDENT reminded the Russian delegation that, as M. Seydoux had said, the amount of financial assistance which would be obtained from private sources depended upon the confidence felt by private financiers and merchants in the provisions of any agreement concluded between the Russian Government and other Governments. So far as the British Government was concerned at least, any possible financial assistance obtained from them would

<sup>6</sup> See No. 72, No. 73, n. 2, and No. 74.

<sup>7</sup> In the British Secretary's Minutes of this meeting (I.C.P. 247A, not printed), this sentence reads: '... the Russian delegation did not expect a detailed reply on the question of financial assistance.'

depend largely upon whether trading relations were renewed. For the renewal of trading relations the greatest confidence was necessary.

SIGNOR GIANNINI pointed out that all the points in the discussion were closely connected with one another; thus the question of financial assistance was not independent of the other questions.

M. RAKOWSKY said that he quite understood that the investing of private capital in Russia depended on the agreement concluded with regard to past debts, but nothing had been said hitherto on the subject of Government assistance. He thought that private capital might be impossible to obtain without a Government guarantee. The Russian delegation would like a decision to be taken at once concerning the financial assistance to be given to Russia, such assistance to come into effect when the agreement had been signed.

THE PRESIDENT again asked the Russian delegation if it was really not prepared to discuss these articles, for there were some points on which it would be desirable to hear the views of the Russian delegation.

M. LITVINOFF said that they had thought that they were negotiating with Governments, and he had hoped that the representatives would be able to acquaint him with the intentions of their Governments. He was now told that it was a question of private capital and private individuals who were not represented at Genoa at these discussions and who might not conform to the decisions adopted by the conference. He concluded that M. Chicherin's letter had not been accepted as the basis of the discussion. Russia could not agree to anything before she knew whether the Governments had agreed to assist her.

THE PRESIDENT observed that the Russian delegation was returning to the old point of discussing the question of financial assistance before the articles of the London report. The committee had decided that it was necessary first of all to ascertain the views of the Russian delegation on these articles. He once again asked whether the Russian delegation was ready to discuss the report or not.

M. RAKOWSKY agreed to the articles being read in succession, and to the experts giving their opinions. The Russian delegation would note the opinions and proposals made, and give its reply later.

THE PRESIDENT observed that the committee had been appointed to discuss the articles and not to receive written replies. He said that the Russian delegation had had a fortnight in which to consider the articles. The committee had been set up in the hope of its leading to some fruitful and friendly discussion, but, instead of that, they were being met by a *non possumus* on the part of the Russian delegation.

M. KRASSIN asked how the Russian Government could answer 'Yes' or 'No' to the question raised in article 1 without knowing whether the Russian Government would be recognised or not. This remark applied to all articles alike. The Russian delegation must know the views of the members of the committee on the conditions formulated by the delegation in M. Chicherin's letter to Mr. Lloyd George.

THE PRESIDENT said that M. Krassin's statement showed the *raison d'être* of the committee, which had been set up in order to permit of an exchange of views between the various experts. They did not ask that the Russian delegation should bind itself formally and definitely. The Russian delegation could accept article 1 or any other article separately, subject to reservations. They merely wanted to know the views of the delegates on the different articles.

M. RAKOWSKY agreed in considering that Russia's obligations were conditional, and that they must fall within the limits of the Cannes resolutions. He would be compelled to make reservations to all the articles.

THE PRESIDENT said once more that they did not ask the Russian delegation to bind itself on any one particular article. When the whole of the articles had been examined, discussed and drafted in treaty form, then they might speak of a definite engagement. He asked if they might continue the discussions on the basis he had proposed.

M. LITVINOFF replied that he could give an immediate reply to certain questions, but as regards other questions he would have to reserve his reply.

THE PRESIDENT then proposed that they should go on to article 2, which referred to debts. He asked the views of the Russian delegation on this point.

M. RAKOWSKY thought that there was some *raison d'être* for this article before the conversations at the Villa d'Albertis, but during these conversations the obligations of the Soviet Government in relation to former Russian Governments had been clearly determined. If it were a question of war debts, including interest, they must be looked upon as cancelled. The only question, therefore, was that of obligations relating to pre-war debts. Besides, he had one more reservation to make; the recognition of the Soviet Government.

THE PRESIDENT asked if the Russian delegation agreed to recognise municipal debts contracted during the war.

M. RAKOWSKY replied that local and municipal debts if guaranteed by the State came under the same head as State debts. Private debts not guaranteed by the State came under quite a different heading.

THE PRESIDENT pointed out how useful the discussion was.

M. ALPHAND said that war debts were debts contracted between State and State for purposes connected with the war. He did not see how a municipality or a local authority could have contracted war debts.

SIGNOR GIANNINI asked whether there were any municipal debts contracted by Russia during the war. If not, any discussion on the subject was useless.

M. RAKOWSKY said that the Russian delegation had expected to discuss the question of financial assistance at that meeting, and that it could not reply to the question of the Italian expert at present. He suggested that the sitting should be adjourned.

THE PRESIDENT considered that adjournment was useless, and that the Russian delegation could submit a note on this question at the next sitting of the committee. In the meantime, they could continue the discussion of the other articles.

M. CATTIER asked whether the Russian delegation looked upon all debts contracted during the war as war debts.

M. RAKOWSKY replied that it was necessary to consider the purpose for which the debts had been contracted.

THE PRESIDENT, in reply to the question put by M. Rakowsky, said that the text of the article was very clear. The words 'contracted before this date' meant up to the date of the signing of the agreement.

M. LITVINOFF asked the president to explain the provisions of article 2. Did these provisions relate to pre-war debts or to debts contracted for purposes connected with the war? During the period 1917-1921 certain municipal and provincial authorities were under the control of Governments other than the present Russian Government; for example, those of Denikin, Wrangel and Kolchak.

THE PRESIDENT remarked that that was a point which the Russian delegates could bring forward as a counter-proposal.

M. LITVINOFF asked what was meant by the words 'all authorities in Russia, provincial or local, and public utility undertakings in Russia'.

It was explained that provincial or local authorities were those which in the Russian State were considered as representing provinces, communes or towns. Public utility undertakings were undertakings formed for purposes of public utility, such as railways, electrical undertakings, waterworks, &c.

M. SEYDOUX observed that as public utility undertakings might have been nationalised by the Soviet Government, the latter ought to take over their financial engagements.

M. LITVINOFF said that if the Russian Government must accept these obligations it must also claim the assets of these companies, even if there were no liabilities and only assets.

M. ALPHAND said that it was a question of purely Russian companies. The question of property belonging to companies with foreign capital was dealt with in another article.

M. LITVINOFF asked whether charitable societies were included under the heading 'public utility undertakings'.

M. ALPHAND explained that in general they would not come under that heading unless they were in the nature of public utility undertakings, such as, for example, pawnbroking establishments. He added that as complete a list as possible might be supplied of companies which were to be considered as in the nature of public utility undertakings.

M. LITVINOFF said that the note in article 1 was not quite clear, and asked what it meant. He asked if the question was to be decided by Governments or by the members of the committee.

THE PRESIDENT replied that that would be dealt with by No. 1 Commission.

SIGNOR GIANNINI recalled that the committee was to submit a report<sup>8</sup> to the Sub-Commission of the First Commission. If possible, the decisions of the committee should cover technical questions only; political points should be referred to the commission where delegates of the Governments were

<sup>8</sup> See No. 82.

present. The note to article 1 had been drawn up because it related to a question which had to be settled, but it was not for the experts to take a decision in the matter.

M. LITVINOFF pointed out that this note appeared in an experts' report.

SIR PHILIP LLOYD-GREAME said that the Soviet delegation represented all parts of Russian territory. The obligations referred to in article 1 were those of the former Russian Government. Did the Soviet delegation suggest that there were certain parts of Russia for which it was not prepared to accept obligations?

M. LITVINOFF replied that he would like to know how the Governments would decide these questions.

THE PRESIDENT said that these questions would have to be referred to the First Commission.

M. SEYDOUX said that the note was inserted just because the London experts did not consider themselves qualified to discuss the question; nor was the present committee called upon to deal with it.

THE PRESIDENT asked the Russian delegation for an explanation regarding a sentence in the annex to the minutes of the 15th April. In the annex there was a reference to 'use of property'. What did that mean?

M. LITVINOFF said that he would answer that question when he answered the other questions.

SIR PHILIP LLOYD-GREAME drew M. Litvinoff's attention to the fact that article 3 was to be examined at the same time as Annex 2, paragraph 7.

THE PRESIDENT said that M. Chicherin's letter contained one sentence on which he would like to have some explanation. According to the letter, the Russian Government agreed to allow former owners the use of nationalised or reserved property, or, where this was impossible, to satisfy the legitimate claims of former owners. He asked whether the Russian delegation had any method to propose for estimating the amount of the just claims for which payment had to be made. In that connection he drew the attention of the Russian delegation to Annexes 1 and 2 of the London report, because in that document there was a method for determining claims. It was proposed to set up an 'arbitral tribunal'. Continuing, the president said that in M. Chicherin's letter it was stated that satisfaction of just claims would be made where it was not possible to restore the use of property. He agreed that where property was completely destroyed it could not be returned, but he asked the Russian delegates to indicate in what class of claims satisfaction would be given where it was impossible to restore property. It was necessary to consider how to avoid injustice. Suppose a former owner had a valuable property capable of immediately producing a revenue, and it was found impossible to return it to him and he was asked to accept some bonds in payment of his claim. If these bonds yielded no interest it would be unjust. What were M. Litvinoff's views on this point?

M. KRASSIN referred to the terms of article 3, 'or their predecessors', and asked what these words meant.

M. SEYDOUX said they meant the same as in article 1.

M. LITVINOFF asked what was meant by the words in article 3, 'contracts of Governments or private individuals'.

M. CATTIER said that it might happen that a foreigner concluded a contract with an individual Russian for the supply of certain goods. As a result of the nationalisation of property it was impossible for the Russian subject to fulfil his contract. In this case the fault lay with the Soviet Government.

M. LITVINOFF asked what was meant exactly by the word 'negligence' in article 3.

M. CATTIER replied that this was a question of principle which would be decided by the tribunals to be set up. 'Negligence' was culpable want of care. It was for the tribunals set up to decide each case on its merits.

M. LITVINOFF asked whether it was just to hold a Government responsible for the destruction of all property and goods whatsoever.

M. CATTIER replied that it did not seem to him desirable to enter into these details when once special tribunals had been created.

THE PRESIDENT remarked that article 4 dealt with the 'Debt Commission' and 'Mixed Arbitral Tribunals'. He did not know whether the Russian delegates would have time to deal with these two questions as well as the others.

M. STRUYCKEN said, in regard to article 7, that the Netherlands delegation had already prepared a memorandum<sup>9</sup> asking whether balances in banks in countries which had not made advances to the Russian Government could be retained by these banks until the Russian Government had duly paid its debts. Article 7 referred only to Governments which had made an advance to a former Russian Government, but there were balances in other countries also. He did not think it would be desirable to compel banks to hand over these balances to the Russian Government as long as holders of Russian loans did not receive the money to which they were entitled. M. Struycken added that he had communicated a written proposal on this subject to the conference.

M. LITVINOFF asked for an explanation concerning the last paragraph in article 7.

M. KENGO MORI explained that paragraph 1 of article 7 applied to direct advances approved by Governments to the Russian Government. The last paragraph applied to indirect advances: to the case, for example, where a Russian loan had been floated in a country and the Government of that country, in agreement with the Russian Government, had purchased the certificates from its nationals. In his opinion, this class of debts did not come under the heading of war debts; the private rights of the holders were transferred to the Government which had effected the operation.

THE PRESIDENT then asked the Russian delegation to indicate what moratorium they proposed to ask for.

M. LITVINOFF said that it was difficult to reply to that question until they knew something definite regarding the financial help Russia was to receive.

THE PRESIDENT asked the Russian delegation to draw up its counter-

<sup>9</sup> Not printed.



proposals, not in the form of a statement, but in the form of amendments to the articles of the memorandum or new articles intended to replace the former. He proposed that the sitting should be adjourned until 5 P.M. on the following day.

This proposal was agreed to.

*(The sitting adjourned at 6.45 p.m.)*

## No. 91

P.C.S.E. 4] *Fourth Meeting of the Committee of Experts on Russian Questions, April 24, 1922, at 5 p.m.*

**PRESENT:** *President:* The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P.  
*Belgium:* M. Cattier, M. Galopin.

*British Empire:* The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P., Sir Philip Lloyd-Greame, K.B.E., M.C., M.P., Sir Sydney Chapman.

*Czechoslovakia:* M. Girsá.

*France:* M. Seydoux, M. Alphand.

*Italy:* Signor Giannini, Signor Jung.

*Japan:* M. Kengo Mori, M. Sekiba.

*Netherlands:* M. Struycken, M. ter Meulen.

*Russia:* M. Rakowsky, M. Litvinoff, M. Krassin, M. Rudsutak.

**SECRETARY:** M. Zanchi.

**INTERPRETER:** M. Parodi.

The sitting opened at 5 p.m.

**THE PRESIDENT** called upon M. Rakowsky.

M. RAKOWSKY read a counter-proposal prepared by the Russian delegation in reply to articles 1-7 of the London experts' report<sup>1</sup> (see Annex).

M. CATTIER pointed out that the document which M. Rakowsky had just read was of such great importance that it would be impossible to begin to discuss it that day. It would be necessary to have it translated and to examine closely the scope of the proposals made by the Russian delegation. He thought, however, that, if the Russian delegates agreed, it would be possible at that sitting to ask them for explanations regarding the counter-proposals which they had just put forward. This would facilitate the work of the committee and the consideration which must be given to the Russian proposals.

M. KRASSIN said that the Russian delegation was at the disposition of the committee.

**THE PRESIDENT** asked if any member of the committee wished to put questions to the Russian delegation.

M. CATTIER read the first paragraph of article 1, which ran as follows:

<sup>1</sup> See No. 56, Appendix.

'The Government of Russia declares that it is prepared to discharge the financial obligations of the former Imperial Government of Russia, contracted before the 1st August, 1914, with foreign Powers and their nationals.'

M. CATTIER observed that the clause as it stood took no account of the financial obligations contracted by the Russian Imperial Government after the 1st August, 1914. Did that imply that the Russian delegates regarded all debts contracted after the 1st August, 1914, as war debts?

M. RAKOWSKY replied that to the knowledge of the Russian delegation there were no debts contracted after the 1st August, 1914, but those for war purposes.

M. CATTIER observed that they were evidently agreed on one point, namely, that war debts, properly so-called, meant debts incurred by one Government exchequer to another.

THE PRESIDENT asked if it was the view of the Russian delegation that the debts of the Russian Provisional Government<sup>2</sup> should or should not come under the provisions of paragraph 1.

M. RAKOWSKY replied in the affirmative, as the debts of the Provisional Government were exclusively war debts.

M. SEYDOUX asked if it was therefore understood that, in the opinion of the Russian delegation, all debts contracted after the 1st August, 1914, were to be considered as war debts.

M. RAKOWSKY replied that this was so, failing proof to the contrary.

M. ALPHAND recalled the fact that a Russian loan was issued in the United States in 1916 and publicly subscribed. He added that, in the opinion of the London meeting of experts, the phrase 'war debts' meant 'debts contracted between Government exchequers for war purposes'. On the other hand, the category of private debts included all loans issued and subscribed publicly.

M. RAKOWSKY repeated that, to the knowledge of the Russian delegation, the only debts contracted during the war were those for war purposes, and that these debts represented transactions between Governments. The opening of loans to public subscriptions was a matter of theory. The Russian delegation had before it no concrete example on which it could state its opinion.

M. CATTIER remarked that if such a concrete example arose the loan so raised ought to be regarded as an ordinary loan and not as a war loan.

M. RAKOWSKY replied that the Russian Government reserved the right to examine all such cases which might arise.

THE PRESIDENT observed that this was a most important point. If the loan had been negotiated between Government exchequers, it was a matter of Government action for war purposes. If, however, the Russian Government had placed bonds on the market, it was an entirely different matter.

M. RAKOWSKY repeated that the Russian Government reserved the right to examine particular cases in order to ascertain for what purpose and in what form the loan was issued.

M. CATTIER pointed out that during the war internal loans were issued in

<sup>2</sup> In power from March until November, 1917.

Russia and subscribed in part by foreigners. He asked if Russia accepted responsibility for those loans.

M. RAKOWSKY replied that, to the knowledge of the Russian delegation, certain railway loans which had been issued came under this heading. This was a question of internal loans issued during the war. With regard to other classes of loans, it was necessary to know if the foreign subscribers had been the first subscribers or if they had bought their bonds later. All such cases came within the category regarding which the Russian Government reserved the right to examine concrete circumstances before making a decision.

M. CATTIER read the second paragraph of article 1 :

‘It is nevertheless agreed that those who were legally entitled to the benefit of such obligations before March 1917 shall have the right to claim under the terms of the present article.’

He wished to know what was the exact scope of this provision.

M. RAKOWSKY replied that this paragraph referred to *bona fide* foreign bondholders. It was obvious that the Russian Government was not willing to discharge obligations resulting from the transfer of bonds to foreign subjects at the time when the revolution broke out in Russia. The Russian Government regarded as bonds belonging to foreigners only those of which foreigners were in possession on the 1st March, 1917, the date of the revolution.

M. CATTIER said that in this case it appeared that the Russian Government would not recognise *bona fide* transfers of bonds which took place as the result of regular commercial transactions subsequent to the 1st March, 1917.

M. RAKOWSKY replied that in this case it was merely necessary to prove that the transaction took place between foreigners, and that there was no fraud and no intention of transferring bonds belonging to a Russian subject in order to pass them off as bonds belonging to a foreigner.

M. CATTIER stated that from this explanation he understood that proof of good faith in the transactions must be produced.

M. ALPHAND pointed out to the Russian delegation that the question of good faith had been dealt with in the London experts’ report, but some practical step was necessary. Proof of devolution in the case of bonds bought in the ordinary way through a bank was extremely difficult.

M. CATTIER read note (A) to article 1 :—

‘The present article shall not apply to States having territorial disputes with Russia which are not yet settled.’

He imagined that this provision did not apply to nationals of those States.

M. RAKOWSKY replied that this article applied both to the Governments and nationals of those States.

M. CATTIER reiterated his desire to know if the Russian delegation admitted the responsibility of the Russian Government towards nationals of those States.

M. RAKOWSKY replied that the article in question applied both to States and to nationals of States which had territorial disputes with Russia. The Russian delegation thought that the settlement of questions still pending between

Russia and those States should be postponed until the question of frontiers, which was a fundamental one, was settled. The only States affected were those adjoining Russia, which had frontier questions to settle. States not adjoining Russia were not concerned.

THE PRESIDENT observed that the Russian Government had already concluded treaties with some of these States.

M. RAKOWSKY replied that in these cases the question was settled.

THE PRESIDENT again asked if, in the case of States with which it had concluded treaties, the Russian Government recognised its obligations.

M. LITVINOFF replied in the affirmative in the case of States with which all territorial disputes had been adjusted.

THE PRESIDENT asked which States these were.

M. RAKOWSKY repeated that the States excluded from the clause under discussion were (1) States not adjoining Russia; (2) States adjoining Russia which had adjusted by treaty with her all frontier questions. By a process of elimination there remained one State, or one and a half, which had not yet adjusted their territorial disputes with Russia.

THE PRESIDENT pointed out that questions put to the Russian delegation were asked simply for purposes of information. He asked if the Russian Government intended to transfer part of its obligation to States with which it had concluded treaties.

M. KRASSIN emphasized the fact that there were countries adjoining Russia which had not yet settled their frontier questions. Until this adjustment had taken place the Russian Government thought it premature to deal with other questions regarding obligations, debts, &c.

THE PRESIDENT said that the committee wished to know if the Russian Government recognised the substitution of another State in the obligations of the Russian Government.

M. LITVINOFF said he could not give a definite reply to this question.

THE PRESIDENT asked if the Russian Government intended to accept responsibility for loans raised or guaranteed by the former Russian State for all the States constituting the former Russian Empire, or if note (A) implied that the Soviet Government refused to recognise its obligations to nationals of these States.

M. LITVINOFF said that that was a different question. The Russian Government would postpone decision on the question of responsibility in this case until it had come to an agreement with the Governments of those States.

THE PRESIDENT noted this declaration.

M. SEYDOUX asked if this statement applied both to nationals and to States.

THE PRESIDENT pointed out that M. Litvinoff's reservation referred to all these States, because all the loans had originally been issued by the whole Russian State.

M. ALPHAND wished to make a further observation regarding article 1. There was no question in this article, as in M. Chicherin's letter, of annulling debts contracted during the war; it was a question of the non-recognition of all debts contracted after the 1st August, 1914.

M. CATTIER said that he understood, according to the statements of the Russian delegation, that the Russian Government reserved the right to examine all particular cases in regard to debts contracted subsequent to the 1st August, 1914. If it were proved that subsequent to that date the Russian Government had placed a loan publicly abroad it recognised that loan; but if it were a question of an internal loan it reserved the right to examine the question of good faith.

M. ALPHAND said he merely desired to point out that, according to M. Chicherin's letter, the Russian Government were ready to recognise all debts, as provided in the Cannes resolutions, and demanded the annulment of war debts. Now it said, on the contrary, that it recognised all debts except war debts. It is a question of form, but it is very necessary to be exact.

M. RAKOWSKY said that, in his opinion, there was no difference.

M. CATTIER read the first paragraph of article 2:—

'The Government of Russia will procure the recognition by local authorities in Russia of the financial engagements contracted by them with the Powers or their nationals.'

He interpreted this article as follows: The Russian Government refuses to recognise its own responsibility for these engagements, but should a local authority have undertaken such an engagement, the Russian Government will compel the authority in question to recognise its debt, and, if need be, to pay it.

M. RAKOWSKY said that the Russian delegation had reproduced the text of article 2 of the London experts' report.

THE PRESIDENT pointed out that article 2 of the London experts' report also provides that the Russian Government must guarantee the carrying out of financial engagements of all authorities in Russia, provincial or local.

M. RAKOWSKY said that the Russian Government meant to restore the pre-war *status quo*. In cases in which local authorities had themselves contracted debts towards foreign States or their nationals with a guarantee of the Russian Government, the latter would undertake by means of a law to have these debts recognised. Where the State had guaranteed these debts the guarantee remained good. But obviously the Russian Government could not assume fresh guarantee obligations which did not exist before the war.

M. CATTIER asked what would happen if the local authority in question had disappeared. If the new social organisation obtaining in Russia had caused a local authority to disappear, what would become of debts contracted by the latter?

M. RAKOWSKY replied that if a local authority had disappeared its functions had been transferred to another authority. Thus, the town Soviets now took the place of the old municipal councils.

M. CATTIER pointed out that a local authority might have been destroyed.

M. RAKOWSKY replied that if a local authority no longer existed in any form as a political organism, its functions had been transferred to the central Government or to another local authority. It was a question of following the course of the changes effected in order to ascertain who had taken over the

assets and liabilities of the preceding authority. He did not think there could be any misunderstanding in this connection.

M. CATTIER said that he did not want to discuss, but merely to raise questions.

M. SEYDOUX desired to have it clearly established that every local authority would always have a legal successor responsible for its obligations.

M. RAKOWSKY said that this was so.

M. SEYDOUX duly noted this.

M. RAKOWSKY added that if certain local authorities in Russia had entered into engagements at a time when they were not under the central authority of the Soviets, the Russian Government did not recognise such engagements.

M. CATTIER read the third paragraph of article 2:

‘The Government of Russia recognises all engagements entered into by undertakings of public utility and guaranteed by the former Imperial Government of Russia.’

He asked if the Russian Government recognised, for example, a loan raised by a railway company.

M. RAKOWSKY replied that it did, provided that there was a Government guarantee.

M. SEYDOUX put the case of a loan not guaranteed by the Imperial Government and raised by an undertaking of public utility which had not been nationalised. He asked if the Soviet Government would be responsible for this loan.

M. RAKOWSKY pointed out that such a loan would come under the heading of private loans. However, they had, up to that point, discussed obligations of an official character, that is, obligations of the Government or of local authorities. Obligations of private companies were dealt with in article 3.

M. SEYDOUX explained that he was referring to undertakings of public utility; for example, a railway company which had raised a loan.

M. RAKOWSKY observed that railway loans had been guaranteed.

M. ALPHAND thought that this was not true in all cases.

M. RAKOWSKY said that the paragraph in question referred to private undertakings which might be considered as of public utility—for example, electricity undertakings, tramways, &c. Obligations assumed by such undertakings, with a Government guarantee would be recognised, since it was a question of an official guarantee; but if they had assumed obligations in the capacity of private companies, they were included under category 3.

M. ALPHAND put the case of a company—for example, an electricity company—whose property had been nationalised by the Soviet Government which continued to work the undertaking formerly managed by the company. He asked whether the Soviet Government would be subrogated to the company formerly existing in regard to these obligations.

M. KRASSIN replied that in this case it would be a question of private undertakings coming under article 3. If there was an organisation which had taken the place of the one which had contracted a foreign debt, it was quite

possible to settle the question between foreign creditors and the new company. A case of this kind had already arisen in a town in the Ukraine, where an electricity company had contracted a debt abroad. An arrangement had been arrived at between the creditors and the new company which had undertaken responsibility for the debt.

M. SEYDOUX was anxious to have it clearly established that there was always a responsible successor, as had been specified in the case of local authorities.

M. RAKOWSKY observed that they must not create ambiguities. If the obligations of a private company had not been guaranteed by the State, these obligations would not be guaranteed by the State in the future.

THE PRESIDENT, summarising the discussion, pointed out that the Russian delegation recognised the responsibility of the State only in cases where there had been a State guarantee. If an undertaking without a guarantee had been nationalised, it would necessarily come under the heading of private property.

M. CATTIER read article 3:—

‘The Government of Russia declares that it is prepared to grant to foreigners the enjoyment of property formerly belonging to them and subsequently nationalised or requisitioned in all cases in which it is possible so to do, having regard to the social and economic system and the fundamental laws of the Russian Republic, that is to say, to grant them a right of pre-emption for the taking in concession or on lease of their former property or a right of preference for participation in companies or trusts in cases in which their former property forms part of the assets of such companies or trusts, provided always that the forms of enjoyment aforesaid shall be granted for terms and subject to conditions to be fixed separately in each case. The Government of Russia is also prepared to satisfy the claims of foreigners formerly owning property which it recognises as just and not inconsistent with the conditions above specified by means of agreements between the Government of Russia and such former owners of property or by such means as may be fixed during the present conference.’

M. Cattier said that he interpreted this clause as follows: nationalisation was final; there could, consequently, be no question of restoring property. Under the conditions established by the article in question, what could be done was merely to restore the enjoyment of property. Nationalisation still existed, and agreements would be concluded with the former owners for the use of property.

M. RAKOWSKY said that this was the meaning of the article.

THE PRESIDENT asked the meaning of the words ‘enjoyment of property’.

M. RAKOWSKY replied that what was meant was a lease for a fixed period.

THE PRESIDENT asked whether it was a question of a concession for the use of property for a certain period.

M. RAKOWSKY replied in the affirmative.

THE PRESIDENT asked whether the Russian delegation could indicate the period of such concessions.

M. RAKOWSKY replied that there were no fixed regulations.

THE PRESIDENT asked whether it was essential that there should be a special decision in each individual case.

M. KRASSIN replied that in general a period would be fixed long enough to enable the undertaking to prosper and live, commercially speaking.

THE PRESIDENT remarked that it would in any case be necessary to re-establish confidence in order that capital might recommence to flow into Russia and be employed in the development of undertakings. It would therefore be necessary for the Russian Government to make a general declaration calculated to restore confidence.

M. RAKOWSKY stated that the article in question had not been drawn up with the intention of avoiding a firm obligation on the part of the Russian Government, but simply because the period of 'enjoyment' could not be uniform. There was a difference, for example, between a factory and a mine; a factory required less time to get into working order and make profits than a mine, especially if the mine had been completely destroyed. It would therefore be necessary, in the second case, to grant a much longer period of enjoyment. It was not possible to fix a uniform term for all classes of undertakings. It might perhaps be possible later on to establish classes of undertakings and fix different periods for the concessions to be granted for each of these classes.

THE PRESIDENT did not wish to discuss the question at present, but simply to emphasise the fact that a re-establishment of confidence was indispensable.

M. KRASSIN said that the Russian Government had already acquired a certain amount of experience in the matter. It had concluded several agreements for the concession of the right to exploit woods and agricultural lands for terms ranging from twenty to twenty-five years, and of mines for terms ranging from forty to fifty years. The period of the concessions varied according to the importance of the exploitation.

M. STRUYCKEN asked if there were any general rule as to the character of this enjoyment. He wished to know whether the Government would fix in each individual case the rights of the person who was to have the enjoyment of the property, or whether, on the other hand, there were general laws on the subject.

M. RAKOWSKY replied that there was no general law fixing a uniform term for the concessions to be granted. So far only one type of contract or concession had been created in Russia, namely for agricultural lands. The Russian delegation was in a position to produce this form of contract. As regards other kinds of concessions, only small ones had been granted. It would be necessary to fix different conditions for larger concessions. As regards industrial and mining undertakings, a special contract would have to be made in each case. The form of this would depend on the districts in which the property was situated, and the expenses which it would be necessary to incur for exploiting the undertakings. The Russian delegation could always give supplementary details on this subject.

M. STRUYCKEN asked whether the Russian Government would arbitrarily decide as to the term and character of the right of enjoyment.



M. RAKOWSKY replied that it was inaccurate to use the word 'arbitrarily'. It was a question of agreements between the Russian Government and the concessionnaires. There were two parties interested.

M. CATTIER remarked that the enjoyment referred to in article 3 was to be granted 'in cases where it was possible so to do, having regard to the social and economic system and the fundamental laws of the Russian Republic'. It appeared to him that that constituted a restriction on the principle previously laid down. The Russian Government would not agree to restore the enjoyment of property except in certain cases. It was very important to know what were the provisions of the social and economic system, and the fundamental laws of the Russian Republic, which might limit the restoration of enjoyment of property which had belonged to foreigners.

M. Cattier asked for explanations on this subject.

M. RAKOWSKY explained that in the view of the Russian delegation, the re-establishment of former proprietors in the enjoyment of their property for a limited time should not be in contradiction with article 1 of the Cannes conditions.<sup>3</sup> According to this article, nations mutually undertook not to impose a system of property on each other. The Russian Government did not recognise the right of an owner to reclaim the property which he had owned before the war. Under the Russian economic organisation, the Government could always say that the property in question belonged to such and such a class, and that it could not grant enjoyment of it.

M. CATTIER asked the Russian delegation to define the policy of the Soviets on this point, in order that he might understand exactly the effect of article 4. If one had only vague formulas before one, one could not form exact ideas. Was there a decree in existence which indicated clearly what the Russian Government intended to do, or must they be satisfied with general and indefinite declarations?

M. RAKOWSKY replied that no decree existed fixing the place in which concessions might be granted, but there existed in Russia an economic organisation on the basis of trusts comprising different classes of industries. Evidently, where the interests of these trusts would not permit of the re-establishment of the former proprietor in the enjoyment of his property, such re-establishment would be refused. It might be possible, in such a case, to offer him participation in the trust, but it would be difficult to lay down general rules on this subject.

M. CATTIER asked for explanations on the subject of the phrase 'right of pre-emption for the taking in concession or on lease of their former property'. He remarked that there must be some inaccuracy in the words employed in the Russian Note. Right of pre-emption signified right of purchase. The Russian note, no doubt, meant preferential right on equal conditions. M. Cattier understood this clause in the following manner: A property would not necessarily be restored to its owner. If the former owner, desiring to obtain enjoyment of a property, did not make an offer to the Soviet Government more favourable than that made by another person, the Russian

<sup>3</sup> See No. 6, Appendix.

Government reserved the right to grant enjoyment of the property to the person making the best offer.

M. RAKOWSKY said that, conditions being equal, the former proprietor would have the preference.

M. SEYDOUX observed that in this way the former proprietor would find men competing with persons who had no former right, and who were placed on a footing of equality with him.

M. RAKOWSKY replied that there was no question of equality, because, where the offer was the same, the former proprietor would have the preference.

M. CATTIER remarked that the right of the former proprietor was not very valuable.

M. RAKOWSKY said that there was a fact which must not be ignored. The former proprietor who had resided in Russia, who had a long experience, who knew the undertaking in question, and who was interested in retrieving his losses, would have an interest in procuring new capital and in making the most favourable proposals to the State. It was not a question of a theory, but of a fact which must be taken into account. The concessions granted by the Russian Government were principally made to former proprietors. M. Rakowsky quoted the cases of concessions granted to Norwegian proprietors who had formerly owned undertakings in the north of Russia which had been nationalised. These owners had returned to Russia. They had accepted the losses to which the nationalisation of property had exposed them, and had formed companies jointly with the State for exploiting forests. In this way these undertakings had been exploiting forests in the Government of Archangel for two years. He added that he could quote analogous cases in regard to the petroleum industry. A proprietor who had formerly owned a petroleum undertaking was now prepared, as the Russian delegation could prove by his declaration, to consider nationalisation as an accomplished fact on condition that other oil-fields were granted to him, as he knew that he would be able, later on, to get back many times more than he had lost. Account must be taken, said M. Rakowsky, of such facts as these. The preferential right which the Russian Government granted to former proprietors was not a theoretical right but a practical right, one of those rights which formed the subject of bargains. The former proprietors themselves would be desirous of obtaining this preferential right. It was they who would seek the necessary capital and return to Russia to reorganise their undertakings.

M. SEYDOUX observed that according to this method a former owner who had all his property in Russia, who had left Russia after the nationalisation of his works and had lost everything, was in no better position than a new company which had just been formed, and which made a higher offer for the concession.

M. ALPHAND quoted the example of a French proprietor who had had a house at Moscow. If the old proprietor, for example, offered 50,000 roubles to rent his property and if another person offered 51,000 roubles, the latter would be given preference as against the former owner. Even if the former

owner obtained the lease of his house, he would merely have the right to pay 50,000 roubles a year, in order to have the use of his own house.

M. RAKOWSKY explained that most house property, especially that of very low value, had been conceded to co-operative societies of former owners who had undertaken responsibility for the upkeep of the property, and had thus acquired the right to let it to private individuals. This is a general decree applicable to all towns in Russia. In regard to other undertakings, it was obviously a question of preferential rights, and nothing else.

M. STRUYCKEN asked whether foreigners who had formerly owned personal estate in Russia such as bank balances, securities, &c., would also be allowed right of enjoyment.

M. SEYDOUX observed that such persons would no doubt have the right to purchase the property in question.

M. CATTIER said that, according to the explanations given by M. Rakowsky, he understood that under the new economic régime the Russian Government reserved the right to group industrial property in trusts or companies, and to allow the former owner merely the right to preferential treatment in regard to participation in such companies.

M. RAKOWSKY said he would like to give some examples. Russia was organising the coal industry in a trust which would include the whole of the Donetz Basin. It was an immense undertaking which was being formed. A still more striking example was to be found in the petroleum industry. The Russian Government had realised that the development of this industry was of world-wide importance, and that a considerable amount of capital was essential. It therefore intended to organise the industry in the form of an immense trust; places would be reserved in this trust for the former owners of oilfields.

M. CATTIER said he did not quite understand this system. For example, there was a Belgian company which had had petroleum concessions at Grosnyi. If the Russian Government formed a trust for all oilfields in South Russia, would it give this Belgian company preference in purchasing shares in the trust?

M. RAKOWSKY said that the Belgian company would have preference in regard to entering the trust.

M. CATTIER asked if this was on condition that it contributed fresh capital.

M. RAKOWSKY replied in the affirmative.

M. CATTIER asked what compensation for its former rights would be accorded to the company in question?

M. RAKOWSKY replied that the compensation would consist in admission to the Trust. He thought that manufacturers would understand this better than a committee of experts. With regard to the petroleum industry in particular, the Russian Government had already received several offers. It should be added that about three-quarters of the oil and coal concessions on the Donetz Basin and in the Grozny and Baku district were about to expire. He added that he could not give details to the committee of experts, but he was ready to supply the members of the committee with the information

which might be of interest in regard to the petroleum industry and all the undertakings proposed to the Russian Government.

M. CATTIER said he would like further explanations concerning certain points. According to the note of the Russian delegation 'the forms of enjoyment aforesaid shall be granted for terms and subject to conditions to be fixed separately in each case'. Would it not be possible to draw up general regulations to determine the duration of concessions and the obligations imposed upon holders of concessions? M. Cattier understood that there would be no general conditions of contract, and that in each case, in consideration of the special requirements of the case, the Government reserved the right to conclude special agreements with different conditions.

M. RAKOWSKY said that this was the case.

M. SEYDOUX said that it was then not a question of special regulations for each category of case, but for every special case.

M. CATTIER observed that it might very well happen that former owners failed to appreciate the advantages offered by the Russian Government. In this case provision ought to be made for compensation. The following sentence in article 3 referred to this point:—

'The Government of Russia is also prepared to satisfy the claims of foreigners formerly owning property which it recognises as just, and not inconsistent with the conditions above specified.'

M. Cattier understood that if an owner preferred to receive compensation in money the Russian Government was ready to pay such compensation. The amount of the compensation would be fixed by agreement, and in default of such agreement there would be a tribunal to settle the dispute.

M. RAKOWSKY observed that the question of a tribunal had not been raised.

M. CATTIER asked what the last sentence in article 3 referred to in that case: 'or by such means as may be fixed during the present conference'.

M. RAKOWSKY repeated that this question was not touched on in the document. The provisions of article 3 might apply to former owners whom the Russian Government thought worthy of consideration. There were several points to take into account here: first, the social position of the former owner. If it were a question of a man who had put his whole fortune into an undertaking and who had suffered serious loss as a result of nationalisation, of a man in a modest social position, it was obvious that it was only just that such a man should not be entirely ruined. In such a case it was admitted that compensation should be paid, the amount being fixed by agreement between the injured party and the Soviet Government. Another interesting case was that of a person who represented an important factor in industry, such as technicians, engineers, &c. The case of such persons could not come under the heading of the compensations provided for in the first part of article 3; but it was to the interest of the Government to see that such persons could obtain a concession or compensation under the second part of article 3.

THE PRESIDENT said that M. Cattier asked the Russian delegation if it recognised that the fact of being a former owner and not accepting one of the

conditions of restitution of the enjoyment of property or participation in any company entitled a person to demand compensation.

M. RAKOWSKY said that the Russian Government did not recognise this right.

M. SEYDOUX observed that, in the eyes of the Russian Government, former property rights accordingly conferred no rights whatever.

M. RAKOWSKY said that they conferred no rights except within the limits of article 3.

SIR PHILIP LLOYD-GREAME asked whether the former owner was entitled to compensation or whether he lost his claim to compensation by refusing to accept the Government offers.

M. LITVINOFF said that M. Rakowsky had already replied to this question.

THE PRESIDENT said that there appeared to be a misunderstanding. It had first of all been asked whether a former owner retained any rights over his property. The Russian delegation had replied in the negative. But M. Rakowsky had said that he retained certain rights in conformity with the provisions of article 3. The President observed that there appeared to be a contradiction.

M. RAKOWSKY said that he wished to remove any ambiguity. The Russian Government did not recognise any new rights arising from old property rights. It did admit these rights as creating a possibility within the limits of article 3 of the note submitted by the Russian delegation.

THE PRESIDENT asked whether the Russian Government admitted neither new property rights nor right to compensation.

M. RAKOWSKY stated that the Russian Government admitted neither of these.

M. CATTIER read article 4:—

‘All arrears of interest and all interest accruing up to the expiration of the moratorium, and also the amortisation of debts and obligations of all kinds referred to in articles 1 to 3, shall be annulled.’

This was equivalent to a general annulment.

THE PRESIDENT asked if this article applied only to debts contracted between Government exchequers or if the cancelling of interest applied to private debts also.

M. RAKOWSKY said that, in regard to the cancelling of interest, it was a question of a general measure.

THE PRESIDENT quoted the example of a bank which had a claim to bring against the Russian Government for advances made to it by the bank. He asked the Russian delegates if they meant that all interest on such advances should be cancelled.

M. LITVINOFF replied that the clause in question covered all kinds of obligation.

M. SEYDOUX said he would like to know whether the clause affected a suspension of the obligation for all payments during the period of the moratorium.

M. RAKOWSKY replied that this was the intention of the Russian delegation. M. CATTIER read the text of article 5:—

‘The Powers other than Russia, on their part, declare that they are prepared to restore to Russia its property of all kinds situate in any foreign country (for example, precious metals, immovable property and ships), and to satisfy all their financial obligations and the obligations of their nationals to the Government of Russia.’

He pointed out that this article demands the recognition of the right of property, in the fullest sense of the term, in the case of everything belonging to the Russian State.

M. RAKOWSKY said that this right must be fully recognised.

THE PRESIDENT observed that in this case even property given by the Russian Government as security for loans should be returned to it.

M. RAKOWSKY replied that, if it was a question of a war debt, when once the debt was cancelled the security should be released. If the security related to pre-war obligations, each case should be decided on its merits.

M. CATTIER put the following hypothetical case: The Russian Government had deposited in a Brussels bank a sum amounting to several million francs. The banker owned property in Russia and the Russian Government had refused to restore his property. According to the principles laid down by the Russian delegation, the banker ought to return the money to the Russian Government while the latter would restore nothing at all.

M. RAKOWSKY said that this was necessarily so, because the two obligations arose from different facts. The first was the result of a law or decree nationalising the property of a banker; the second was the obligation of a banker, who must return the money and not keep it in contravention of the law.

M. CATTIER read the text of article 6:—

‘The resumption of payments arising out of the financial engagements accepted by the Government of Russia by virtue of articles 1, 2 and 3, including the payment of interest, shall commence after a period of thirty years computed from the date of the signature of the present agreement.’

M. RAKOWSKY said that the Russian delegation did not consider this period of thirty years as final, and proposed that the figure should be deleted and the question discussed separately.

THE PRESIDENT asked if anyone had any more questions to put, and also asked the Russian delegation if it had anything to add to the statements made.

M. RAKOWSKY proposed that the question of financial assistance to Russia should be discussed first. He said that the Russian delegation would submit a note on this subject, giving the reasons on which its suggestions were based.

THE PRESIDENT thought that the committee had now received sufficient explanations regarding the Russian counter-proposals. He pointed out the importance of the statements made by the Russian delegates and added that the committee must now consider those statements. He therefore proposed to adjourn the meeting. The Russian delegates would be informed when it would be possible to hold another meeting. However, as the questions

raised by the Russian delegates were very serious, it was necessary for the committee to meet at once without the Russian delegation, in order to decide upon the procedure to be adopted for its future work.

M. RAKOWSKY agreed, but asked permission to submit to the committee on the following day the note of the Russian delegation concerning financial assistance.

THE PRESIDENT said that he would communicate to the Russian delegation the date of the next meeting of the committee.

*(The sitting adjourned at 6.45 p.m.)*

#### ANNEX TO NO. 91

##### *Note by the Russian Delegation.*<sup>4</sup>

It is agreed conditionally on immediate and adequate financial assistance to Russia and the recognition *de jure* of the Soviet Government of Russia that:

1. The Government of Russia declares that it is prepared to discharge the financial obligations of the former Imperial Government of Russia contracted before the 1st August, 1914, with foreign Powers and their nationals.

It is nevertheless agreed that those who were legally entitled to the benefit of such obligations before March 1917 shall have the right to claim under the terms of the present article.

*Note (A).*—The present article shall not apply to States having territorial disputes with Russia which are not yet settled.

*Note (B).*—The questions comprised in the note to article 1 of the London memorandum shall be reserved for the consideration of the Political Commission.

2. The Government of Russia will procure the recognition by the Russian local authorities of the financial engagements contracted by them with the Powers or their nationals.

The foregoing paragraph shall not include engagements entered into after the 7th November, 1917, by local authorities which at the time of the conclusion of such engagements were not under the authority of the Central Soviet Government.

The Government of Russia recognises all engagements entered into by undertakings of public utility and guaranteed by the former Imperial Government of Russia.

3. The Government of Russia declares that it is prepared to grant to foreigners the enjoyment of property formerly belonging to them and subsequently nationalised or requisitioned in all cases in which it is possible so to do having regard to the social and economic system and the fundamental laws of the Russian Republic—that is to say, to grant them a right of pre-emption for the taking in concession or on lease of their former property or a right of preference for participation in companies or trusts in cases in which

<sup>4</sup> An English text (with slight differences of translation) of this Note, dated April 24, 1922, is printed in Degras, pp. 301-3.

their former property forms part of the assets of such companies or trusts, provided always that the forms of enjoyment aforesaid shall be granted for terms and subject to conditions to be fixed separately in each case. The Government of Russia is also prepared to satisfy the claims of foreigners formerly owning property which it recognises as just, and not inconsistent with the conditions above specified by means of agreements between the Government of Russia and such former owners of property, or by such means as may be fixed during the present conference.

4. All arrears of interest and all interest accruing up to the expiration of the moratorium, and also the amortisation of the debts and obligations of all kinds referred to in articles 1 to 3, shall be annulled.

5. The Powers, other than Russia, on their part declare that they are prepared to restore to Russia its property of all kinds situate in any foreign country (for example, precious metals, immovable property and ships), and to satisfy all their financial obligations and the obligations of their nationals to the Government of Russia.

*Note.*—The said Powers undertake to give all necessary assistance for the purpose of securing the execution of the present article—among other things, to procure access to the books of banks, &c.

6. The resumption of payments arising out of the financial engagements accepted by the Government of Russia by virtue of articles 1, 2 and 3, including the payment of interest, shall commence after a period of ... years computed from the date of the signature of the present agreement.

## No. 92

P.C.S.E. 5] *Fifth Meeting of Members of the Committee of Experts on Russian Questions, April 24, 1922, at 6.45 p.m.*

PRESENT:<sup>1</sup> *President:* The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P.

*Belgium:* M. Cattier, M. Galopin.

*British Empire:* The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P., Sir Philip Lloyd-Greame, K.B.E., M.C., M.P.

*Czechoslovakia:* M. Girsá, M. Dvoracek.

*France:* M. Seydoux, M. Alphand.

*Italy:* Signor Giannini, Signor Jung.

*Japan:* M. Kengo Mori, M. Sekiba.

*Netherlands:* M. Struycken, M. ter Meulen.

SECRETARY: M. Zanchi.

INTERPRETER: M. Parodi.

The sitting opened at 6.45 p.m.

THE PRESIDENT congratulated M. Cattier on the way in which he had

<sup>1</sup> In the British Secretary's Notes of this meeting (I.C.P. 247B, not printed), the list of delegates includes a Norwegian and a Swiss delegate.



questioned the Russian delegates,<sup>2</sup> and said that the committee was faced with an extraordinarily important position. The result of their conference with the Russian delegates seemed to him to be a complete denial of the very basis of the conference. That being the position, the committee had to consider very carefully what they had better do next. It had struck him that M. Rakowsky was the speaker and that M. Krassin on several occasions was trying to restrain him a little, and that M. Litvinoff was half smiling behind his hand sometimes. On the whole, he was of opinion that it was a declaration by M. Rakowsky rather than a declaration of M. Krassin and M. Litvinoff. It might well be that their attitude that afternoon was their concerted attitude, but that was not certain. The President thought that what the committee ought to do was to draw up a list of the minimum requirements of the Powers. It should then present a note to the Russian delegates stating the minimum conditions which the Powers were prepared to accept. The President did not ask the committee to arrive at any decision then. It was obvious that the committee was face to face with a grave political question outside their immediate cognisance as experts. Speaking for himself, he would have to make a report to his Government on the questions dealt with at the meeting, and he was sure that the other delegates would also have to make reports to their respective Governments. But he felt sure that at some time or other they would have to draw up the very minimum which they would accept, and he thought that the heads of the delegations would then have to consider what action should be taken next.

M. SEYDOUX thanked the president for his very wise treatment of the Russian delegates. It was certainly necessary for each delegate to ask for instructions from his Government in order to enable the committee to decide upon its attitude. The situation was extremely grave. It was possible that M. Rakowsky was not in agreement with the other Russian delegates, but in any case the committee should not allow itself to be treated in this fashion. Discussion on the basis of the document presented by the Russian delegates was impossible. In consequence the decisions which had now to be taken should be entirely different from those taken hitherto. M. Seydoux regretted that it had become impossible to continue the work of the committee on the lines laid down yesterday. But before adopting a new basis for its work, they should consider what requirements could be put before the Russian delegates.

M. CATTIER suggested that the committee should meet again the following afternoon in order to decide upon the next step to be taken. It was necessary to present an ultimatum to the Russian delegates. M. Cattier wondered, in this connection, if the presentation of an ultimatum to the Russians did not lie within the province of the Political Commission. In any case, this ultimatum must be sent, or the conference would be kept waiting a long time for any decision. He also would have to consult his Government.

M. SEYDOUX said that it was essential that they should consult their Governments. It seemed to him that at present the committee of experts could take no action on its own initiative.

<sup>2</sup> See No. 91.

SIGNOR GIANNINI thought that it was necessary to ascertain definitely the intentions of the Russian delegates, according either to the note which they had presented, or the declarations which they had made. It would then be possible to decide if it was necessary to refer the matter to the First Commission. The speaker thought that in any case account should be taken of the fact that M. Rakowsky to-day was certainly not the authoritative mouthpiece of the Russian delegation.

M. CATTIER did not wish to exaggerate the importance of the matter, and create international incidents. But the committee must recognise that it had before it a written document presented by the entire Russian delegation, and that it could not alter this text even with the desire of avoiding a conflict. The members of the committee should face the realities of the situation and come to decisions while accepting the consequences of these. He hoped that these consequences would not involve a rupture; he was, in fact, convinced of the contrary. If they adopted a firm attitude to the Russian delegates, the latter would be compelled to negotiate with the committee on a more satisfactory basis.<sup>3</sup> M. Cattier thought that the Russian delegates had not yet begun to treat the conference seriously.

SIGNOR GIANNINI observed that the strangest part of the meeting which had just closed was the verbal explanations given by the Russian delegates. At one time it seemed to him that M. Rakowsky no longer knew exactly what he was saying.

SIR PHILIP LLOYD-GREAME said that he thought there were two advantages in following the course suggested by the President. If the Political Commission met and put terms to the Russian delegates, before the committee of experts had discussed them and formulated them, the Russian delegates would say that they had never had an opportunity of discussing them with the experts. The second advantage was that, when it came to the point of putting certain terms before the Russian delegates to accept, it was probably easier for them to accept them in a meeting of experts than before the whole Political Commission.

M. MORI entirely agreed with the suggestion of M. Cattier. It seemed to him that the Russian delegates had put the cart before the horse. That being so, he had to consult his colleagues on the Japanese delegation, and he hoped that the next meeting of the committee would not take place before the following afternoon.

THE PRESIDENT said that what they had to do first of all was to get the minutes completed, because the verbal explanations of the Russian delegates were the most important part of the meeting. He proposed that the draft minutes should be considered at a meeting at 4 p.m. the following afternoon. It was most necessary to settle the minutes, because they would be the basis of any action by the heads of delegations. In the meantime the members of the committee could have conversations with their chiefs, and perhaps by the

<sup>3</sup> The British Secretary's Notes of M. Cattier's speech read: 'His own view was that an energetic attitude would force the Russian delegation once and for all to give up their present attitude. . . .'

following day the chiefs of delegations might decide that the best thing to do was to draw up a report containing the minimum conditions to be put to the Russians.

M. SEYDOUX asked if the Italian delegation had taken the necessary steps to have the minutes of that day's meeting as complete as possible.

SIGNOR GIANNINI replied in the affirmative.

THE PRESIDENT proposed that the secretaries should meet the following morning at 10 o'clock to agree on the minutes, so that they could be ready for the sitting of the committee at 4 p.m. This was agreed.

*(The sitting was adjourned at 7.15 p.m.)*

## No. 93

s.g. 15] *Note of Conversations between Sir Maurice Hankey and Sir Cecil Hurst and M. Seydoux and M. Fromageot on Monday and Tuesday, April 24 and 25, 1922.*

In consequence of the arrangement reached between the Prime Minister and M. Barthou, described in S.G. 13,<sup>1</sup> M. Fromageot called on Sir Cecil Hurst and Sir Maurice Hankey at the Hotel Miramare on the evening of the 24th April. Mr. Wigram, of the Foreign Office, was also present.

<sup>1</sup> The meeting between Mr. Lloyd George and M. Barthou on April 24, 1922 was described in S.G.13 as follows: 'The Prime Minister, accompanied by Lord Birkenhead, Sir Laming Worthington-Evans, Sir Philip Lloyd-Greame, Sir Maurice Hankey, Sir Edward Grigg and Sir Cecil Hurst, lunched to-day with M. Barthou and the members of the French delegation, namely, M. Barrère, M. Colrat and M. Seydoux.

'The Prime Minister had a good deal of very interesting conversation with M. Barthou, who insisted that he had never had instructions from Paris to break up the Genoa Conference. He admitted that he had had instructions which had caused him a good deal of difficulty, but they did not go to the extent of breaking up the conference.

'In this connection it is worth mentioning that M. Colrat, who describes himself as a Secretary of State, "dans le Cabinet du Président du Conseil," and attends Cabinet meetings, assured Sir Maurice Hankey that M. Poincaré did not wish the Genoa Conference to fail. He described M. Poincaré as a very cautious lawyer, who, after M. Briand's fall at Cannes, had determined to take every precaution to avoid a similar fate. Subject to these precautions, however, he was most anxious for the success of the Genoa Conference, and he realised that it would be a serious matter for his Government if it failed.

'The Prime Minister told M. Barthou that the British and French nations were at the present moment the pillars of Europe. When they disagreed, all Europe became unsettled and did not know what policy to pursue. This was true, not only of the smaller Allies, but equally of the neutrals. If, on the other hand, Great Britain and France were in agreement, all Europe would accept their decisions. He therefore proposed that M. Seydoux and M. Fromageot should meet Sir Maurice Hankey and Sir Cecil Hurst, in order to formulate the various points connected with the Genoa Conference on which an agreement between the two Governments was required.

'M. Barthou agreed to this.

'It is perhaps worth noting that M. Colrat informed Sir Maurice Hankey that at the meeting of the French Cabinet, when the representation of the French Government at Genoa had been considered, the only members who voted for M. Poincaré's going were M. Barthou and M. Colrat himself. This, he said, was the reason why he and M. Barthou were sent to Genoa.'

The following subjects were raised by Sir Cecil Hurst as being the subjects of a political character which required settlement in connection with the second item of the Cannes agenda:<sup>2</sup>

- I. The proposed pact of non-aggression (see Sir Cecil Hurst's draft (B.E.D. 285) ).<sup>3</sup>
- II. The arrangements for the Final Act of the Genoa Conference (see Sir Cecil Hurst's memorandum (B.E.D. 275) ).<sup>4</sup>
- III. The following points which require to be settled precedent to the pact of non-aggression:
  - (1) The eastern frontiers of Poland.
  - (2) Eastern Galicia.
  - (3) Bessarabia and the question of the gold sequestrated by Russia.<sup>5</sup>
  - (4) The unratified Frontiers Treaty of 1920,<sup>6</sup> which requires reconsideration owing to other treaties, such as the Treaty of Riga,<sup>7</sup> the Bessarabian Treaty, the Treaty of Dorpat,<sup>8</sup> &c.
  - (5) In the event of the anti-aggression pact being concluded, the question of inviting Russia and Germany to participate in the Enquiry by the League of Nations on the question of Limitation of Armaments.
  - (6) The Aland Islands.<sup>9</sup>

SIR CECIL HURST explained the general position of the above questions and, generally speaking, the British line in regard to them.

M. FROMAGEOT did not offer much criticism, and the whole matter was discussed in a friendly spirit.

On the morning of the 25th April, at 10 a.m., Sir Maurice Hankey had a conversation with M. Seydoux in M. Seydoux's room at the Hotel Savoia.

Before this conversation, M. Fromageot told Sir Cecil Hurst that he had dined with M. Barthou on the previous evening, and had explained to him the subjects of the earlier conversation. He mentioned that he had not communicated to M. Barthou Sir Cecil Hurst's draft of the pact. On this subject M. Fromageot obviously had a difficulty connected with the importance to the French of reserving their right of coercion against Germany under the Treaty of Versailles. In the result, M. Fromageot was instructed by M.

<sup>2</sup> See No. 21, Appendix 3.

<sup>3</sup> See No. 95, Appendix, below.

<sup>4</sup> Not printed: in this memorandum, Sir Cecil Hurst described the Final Act of the Genoa Conference, to be signed by all the delegates, as 'a formal instrument which would enumerate the Powers represented at the Conference, set out the names of their delegates, give a short summary of the work of the Conference, incorporate any resolutions, recommendations or "voeux" which it may adopt, and to which would be annexed any treaties or conventions on which it may agree.'

<sup>5</sup> See No. 82, n. 11.

<sup>6</sup> See H. W. V. Temperley (ed.), *A History of the Peace Conference of Paris*, op. cit. vol. iv, pp. 135-6, vol. v, p. 169, vol. vi, pp. 266-7.

<sup>7</sup> See No. 82, n. 9.

<sup>8</sup> See *B.F.S.P.* vol. 113, pp. 977-91.

<sup>9</sup> For the Convention between the British Empire, Denmark, Esthonia, Finland, France, Germany, Italy, Latvia, Poland and Sweden for the Non-Fortification and Neutralisation of the Aland Islands, see *B.F.S.P.*, vol. 114, pp. 421-6.

Barthou to prepare a memorandum on all these questions for submission to the Quai d'Orsay.

Meanwhile M. Seydoux had opened with Sir Maurice Hankey the Russian question.

They were shortly joined by Sir Cecil Hurst and M. Fromageot.

M. SEYDOUX took a thoroughly well-balanced view of the incident on the previous evening at the expert committee of the First Sub-Commission,<sup>10</sup> when the Russians had put forward excessive and impracticable demands inconsistent with the Cannes resolutions.

M. Seydoux treated this as the opening stages of a bargain with Orientals. His view was that the next step was for other Powers to formulate their indispensable conditions in clear terms and intimate to the Russians that they must either accept them or refuse, and, in the latter event, the negotiations at Genoa would come to an end. At the same time, M. Seydoux was most insistent on the importance of making clear to the Russians what they had to gain from entering into an arrangement. He said that from the very first he had been strongly impressed with the importance of this. He had urged it on M. Poincaré before he went to the meeting of the London experts.<sup>11</sup> He read extracts from memoranda, reports of the French Expert Committee and letters to prove this. He had wished to press this aspect of the question at the London negotiations, but M. Poincaré had instructed him to take no initiative in the matter, and, beyond mentioning it in private conversations, he had not pressed it. In his report to M. Poincaré on the London negotiations he had again emphasised the importance of doing something for the reconstruction of Russia. At the present stage he considered it indispensable, particularly if a break was likely to occur, to show the Russians and the world what they stood to lose if they did not make an agreement.

SIR MAURICE HANKEY remarked that this was precisely the view that the Prime Minister had taken ever since his arrival at Genoa, and that the British delegation had been hard at work preparing its case on this side of the question. M. Seydoux, he said, was cognisant of this, as Sir Sydney Chapman had called on him the previous evening and outlined the British proposals. He asked M. Seydoux if he could give him any idea of the French proposals.

M. SEYDOUX then made a long statement of the French views on this matter. He had telegraphed to Paris to ask if his Government could do anything to compare with the British exports credit scheme or Trade Facilities Act,<sup>12</sup> but he was evidently more than doubtful if the French Parliament would ever agree to anything of the kind.

SIR MAURICE HANKEY emphasised the fact that the two British schemes mentioned were not intended for Russia only. Their original object had to a great extent been to deal with the problem of unemployment in England, and they applied to a great number of countries. Their application to Russia would be an extension of the original schemes.

<sup>10</sup> See Nos. 90 and 91.

<sup>11</sup> Of March 20 to March 28, 1922 (see No. 56).

<sup>12</sup> See No. 81, n. 5.

M. SEYDOUX then gave in some detail the French plans. Their idea was to begin by the development of agriculture in Russia. Until Russia was self-supporting in the matter of food, not much could be done for her, as it was impossible to continue feeding so vast a country from outside. The French idea, and M. Seydoux hinted that it was the Belgian idea also, was to form units of tractors with various farm implements, which would assist the peasants to increase the cultivation of their land. He did not think that the peasants needed to be taught to cultivate their land, but merely required assistance of this kind, such as is given to agriculture in France. He scouted the idea of concessions for the cultivation of new territory, as contemplated by M. Krassin, and said that the French idea was to begin operations in the more accessible regions of Russia, and gradually to extend the sphere of operations. France could spare some rolling-stock and locomotives, which could be adapted to the Russian gauge. He said they had complete schemes for the reconstruction of the Russian railways. He also alluded to an Anglo-French-German combine, of which Stinnes was the German member, which had been formed for the exploitation of the railways from the lakes, into Russia at Petrograd, down to the Volga. He said that this combine had actually signed the contract before he left Paris. He also spoke of schemes for the reconstruction of factories, coal-mines, and oil wells. The difficulty, however, from which the French suffered was capital. He admitted that in the world there was a good deal of capital—plenty in America, some in Great Britain, some in Holland and Switzerland, but little in France. He thought that some scheme ought to be arranged by means of the International Corporation or otherwise by which nations could assist each other in this matter.

The question was then raised as to how the matter should be approached, and after some discussion it was agreed that the best plan would be that, on the conclusion of the meeting of the members of the Expert Committee of the First Sub-Commission (other than the Russians) fixed for that afternoon to consider the *procès-verbaux* of the discussion on the previous day, there should be an informal discussion on this question of how assistance could be given to Russia.

Sir Maurice Hankey and Sir Cecil Hurst undertook to transmit this proposal to Sir Laming Worthington-Evans, the chairman of the Expert Committee.

M. Seydoux was very insistent that any statement on this question made to the Russians should be of a general character, showing not what individual nations could do, but what the nations of the world could do for Russia if she would enter into an agreement. His reason for this was that the French Parliament will be very suspicious of anything in the nature of an offer to Russia of French assistance.

At the conclusion of this discussion there was a short conversation as to how far the French were in agreement with the British in regard to the conditions to be insisted on for Russia. As regards private debts, there appeared to be no difference of opinion except in connection with the French proposal for a sort of *commission de la dette*, which was unacceptable to the British. As

regards war debts, M. Seydoux had to admit that, owing to instructions from Paris, he had been compelled to go back on the memorandum handed to the Russians on the 15th April,<sup>13</sup> which provided for a writing down of war debts in consideration of losses sustained by Russia in the counter-revolution. He read a telegram he had received, not, as he emphasised, from M. Poincaré but from M. Lasteyrie, which told him that the French Parliament would not tolerate the writing down of debts. He indicated, however, that, as a condition of a general agreement, France might make a concession on this point, though she was unwilling to forgo a bargaining counter on this point.

On the subject of private property no very serious difference of opinion was revealed.

M. Seydoux put forward a tentative proposal for the conclusion of provisional contracts for persons who owned property in Russia, in which they should occupy their property for a term of years. If at the end of that time, owing to conditions which could not now be foreseen, they found their position rendered intolerable by such circumstances as continual strikes, unnecessary inspection by the Government or excessive taxation, they should have the right to compensation, or, as Sir Cecil Hurst put it, to sell their property to the Russian Government.

Sir Maurice Hankey and Sir Cecil Hurst undertook to report the matters related in the above note to the Prime Minister.

*Note.*—Sir Laming Worthington-Evans considered M. Seydoux's proposal for a provisional contract as wholly unacceptable. It would enable any trader who wished to get out of his business, either because it did not succeed, or perhaps for some purely private reason, to compel the Russian Government to buy him out.

*Hotel Miramare, Genoa, April 25, 1922*

<sup>13</sup> See No. 74, Appendix.

## No. 94

P.C.S.E. 6] *Sixth Meeting of Members of the Committee of Experts on Russian Questions, April 25, 1922, at 4 p.m.*

**PRESENT:** *President:* The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P.  
*Belgium:* M. Cattier, M. Galopin.

*British Empire:* The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P., Sir Philip Lloyd-Greame, K.B.E., M.C., M.P., Sir Sydney Chapman.

*Czechoslovakia:* M. Girsá, M. Dvoracek.

*France:* M. Seydoux, M. Alphand.

*Italy:* Signor Giannini, Signor Jung.

*Japan:* M. Kengo Mori, M. Sekiba.

*Netherlands:* M. Struycken, M. ter Meulen.

*Norway:* M. Prytz.

SECRETARY: M. Zanchi.

INTERPRETER: M. Parodi.

The sitting opened at 4 p.m.

THE PRESIDENT reminded the committee that they had been summoned to consider the draft report<sup>1</sup> of the previous sitting.<sup>2</sup> He had already read that report himself, and he considered it to be very well done and not to require any alterations. He asked the opinion of members of the committee on that point.

M. PRYTZ drew attention to the statement made by M. Rakowsky in the sitting of the previous day according to which Norwegian proprietors who formerly owned business undertakings in the north of Russia which had now been nationalised, had been granted certain concessions. He had not referred to the matter the day before because it had not occasioned any discussion, but he wished to mention to the committee that, so far as his knowledge went, no concession had been made to Norwegian subjects in the Archangel Government, in contradiction to what the Russian delegation affirmed.

M. STRUYCKEN pointed out that M. Rakowsky had replied to the question which he had asked at the previous sitting with regard to the right of enjoyment which might be granted to foreign proprietors who had formerly possessed personal estate in Russia. M. Rakowsky, he said, had stated that the reply to that question would be found in the second part of article 3 of the Russian note. M. Struycken requested that that answer should be included in the report.

M. SEYDOUX agreed that it would be very desirable to include that point.

It was agreed that M. Rakowsky's answer should be added at the bottom of page 17 of the report of the sitting, and that it should be drafted as follows: 'M. Rakowsky stated that the answer was to be found in the second part of article 3.'

The draft report of the previous sitting was agreed to with that amendment.

THE PRESIDENT considered that the draft report should now be sent to the Russian delegation for their approval. He enquired how many copies of the report had been made, and if an English text of it was in existence.

SIGNOR JUNG replied that 120 copies of the French text had been printed and that the secretariat-general was having an English translation made.

M. SEYDOUX expressed the wish that a certain number of the copies of the report should be sent to him.

SIGNOR JUNG replied that the report had not yet been distributed because no decision had been taken with regard to it.

M. GALOPIN asked whether the document which had just been agreed to might be considered as a proper report.

THE PRESIDENT replied that it was a draft which would become the final report after the agreement of the Russian delegation had been obtained, who were also present at the sitting.

<sup>1</sup> Not printed.

<sup>2</sup> See No. 91.



SIGNOR JUNG suggested that a very limited number of copies of the report should be sent to the Russian delegation, such as, for example, one for each delegate. The other copies might be distributed to those delegations which had a representative on the committee.

THE PRESIDENT said that it was desirable that the Russians should agree to the report, because the document could then be regarded as a definite exposition of the Russian proposals. He enquired whether the reports of the three previous sittings<sup>3</sup> were ready.

SIGNOR JUNG replied that they were.

THE PRESIDENT asked whether they were as full as that of the fourth sitting.

SIGNOR JUNG replied that they had not been written verbatim, but that they were very full. In particular, a very detailed report had been made of the third sitting, during which the Russians had put several questions to the committee. Signor Jung added that the procedure which he had suggested was the one that was ordinarily adopted for the other documents of the conference. Since they were dealing with a draft report, it ought only to be distributed to the delegates who had been present at the sitting and had taken part in the discussion; when those delegates had made their observations or had approved the text submitted to them, the report would become official and it could be distributed as usual.

THE PRESIDENT observed that the approval of the Russians certainly ought to be obtained to the report in question. He agreed with the procedure suggested by Signor Jung and he proposed to send the report to the Russian delegation with a request to make any observations they might desire within forty-eight hours.

M. SEYDOUX expressed himself in agreement with the president. The express object of the committee in having a verbatim report made of the fourth sitting was to have a document which might be used as evidence of the discussion which had been held. When the report had been approved by the Russians also, it would become an official document which could be annexed to the report which the committee would make to the First Commission.

M. KENGO MORI agreed with the president's suggestion, but thought that the three earlier reports ought also to be approved by the committee before being sent to the Russian delegation.

THE PRESIDENT presumed that these reports had been prepared by common agreement between all the secretaries. As a rule, the duty of drafting the reports was entrusted to the secretaries, and it was only because the fourth sitting was of special importance that the committee had desired to consider the report themselves before distribution.

M. ALPHAND expressed the wish that the report of the third sitting, which was also of great importance, should be examined jointly by all the secretaries before being sent to the Russian delegation.

THE PRESIDENT assented, and said that the secretaries could examine that document the same day.

<sup>3</sup> See Nos. 84, 87, and 90.

SIGNOR JUNG pointed out that it was not even necessary to specify a time limit for the approval of the reports by the Russian delegation. A time limit was already fixed by the standing orders of the conference; if no observations were made within twenty-four hours with regard to documents which were distributed, they were considered to be approved.

THE PRESIDENT said that it now fell to the chiefs of delegations to consider the position with a view to subsequent action, and that they must therefore await instructions.<sup>4</sup>

\* In a minute of April 26, Mr. Leeper (Assistant Private Secretary) stated: 'So far as we know from the Genoa telegrams and the copies of the *procès-verbaux* which have reached us the Conference has up to date only discussed with the Russians the following points:— 1) pre-war debts 2) war debts 3) property of foreigners in Russia. The next point to be considered presumably will be the establishment of a proper judicial system in Russia. No political questions have yet been raised, as the present discussions are based on the report of the Allied Experts in London from which political questions were excluded.

'It was not intended that political questions would be raised until the Cannes Resolutions on which the Allied Experts' report was based had been fully accepted by the Russians. The latter, however, have demanded that a purely political question viz. *de jure* recognition, should be decided simultaneously with the economic questions. To give such recognition now would be flatly opposed to the French view and could hardly be admitted by the Prime Minister after the Boulogne conversations and his speech in the House of Commons. It would also be opposed to the arrangements made by the Political Committee which met in the Foreign Office before the Genoa Conference by which it was understood that, before recognition was given, the following political conditions should be accepted by the Soviet Government:—

- 1) Recognition of certain treaties by Russia.
- 2) Undertaking to refrain from disturbing the status quo in Asia.
- 3) Undertaking not to assist any revolutionary movements in territories of other High Contracting parties.
- 4) Adoption of neutrality towards Greece and Angora and cessation of assistance in money and munitions to either party.
- 5) Undertaking to admit into Russia any Russians who wish to return.
- 6) Amnesty for Russians abroad.

'These political conditions are contained in the report of the Foreign Office Committee which is attached [not printed].'

Mr. Lindsay (Assistant Under-Secretary), submitting a draft of a telegram to Genoa, commented:

'If events followed the course which preliminary committees work out at home, the Conference would as yet hardly have been able to tackle the political conditions. That is too much to pray for: and of course the Russians have precipitated a political question (demand for *de jure* recognition) into the midst of the economic and non-political discussions.

'The S[ecretary] of S[tate] may feel assured that Mr. Gregory has not *forgotten* the political conditions, but of course, there is a quite conceivable danger that they may be slurred over and it might be well to strengthen his hand.

'So I submit a draft tel[egram] but I don't quite know to whom the Sec[retary] of State would have it addressed; and naturally the wording of the tel[egram] rather depends on the heading thereof.'

Lord Curzon commented:

'I think I would send the draft to Mr. Gregory (private) and await his reply. If it indicates any apprehensions on his part we can then authorise him to show it to Hankey, Grigg or the P[ri]me M[inister].' Telegram No. 42 was transmitted by the Foreign Office to Mr. Gregory on April 26. It ran: 'The course of proceedings at Genoa is so uncertain and fluctuating

SIGNOR GIANNINI suggested that it would be desirable to submit to the chiefs of delegations a summary of the reports rather than to give them the full text.

THE PRESIDENT said that that procedure was very dangerous. A very long document could not easily be summarised in three or four pages. Moreover, each member of the committee would adopt the attitude which he thought fit towards the chief of his own delegation. The President added that the committee would meet again when necessary. He requested permission to summon another meeting when he considered it advisable.

[*Expressions of agreement.*]

(*The sitting came to an end at 4.35 p.m.*)

that though political aspect of future relations with Russia does not appear to have been raised and may possibly still be in distance, I cannot feel certain that discussion of matter may not be precipitated by some unforeseen events. In that case you will of course bear in mind the terms which were drawn up in London, and maintenance of which in integrity should be an indispensable condition of any form of recognition however restricted.'

## No. 95

s.g. 17] *Notes of a Conversation between Mr. Lloyd George and Dr. Benes at the Villa d'Albertis, Genoa, on Wednesday, April 26, 1922, at 11.15 a.m.*

(Mr. Lloyd George was accompanied by Sir Maurice Hankey and Sir Edward Grigg.)

### *The Pact of Non-Aggression.*

DR. BENES said that Sir Maurice Hankey had given him a copy of Sir Cecil Hurst's draft of the Pact of Non-Aggression (see Appendix) and he had spoken to M. Barthou on the subject. He had considered the difficulties on the French side and on his own. It would be necessary to make an analysis of the objections to the pact. These were as follows: first, there was no sanction provided for; secondly, there was an objection from France because the pact only spoke of 'territorial integrity'; it could therefore easily be exploited by those who wished to torpedo the peace treaties. If it was said in the pact that a country was not to attack the territory of its neighbours, these people could raise propaganda in their neighbours' territories, and results might follow such as had occurred in the Burgenland.<sup>1</sup>

MR. LLOYD GEORGE said another clause might be drafted to provide for this.

DR. BENES agreed. The pact should provide that nations would not break solemn international engagements and territories. In this way the French objections could be surmounted. He then produced the following draft amendments to the pact to cover this point:—

Add after the word 'integrity', in paragraph 1, 'and of violation of the treaties establishing the frontiers'.

At the end of paragraph 2, add, 'Each of the High Contracting Parties

<sup>1</sup> See No. 29, n. 16.

pledges itself to refrain from any act of violation of any treaty or international solemn engagements contracted between them mutually'. At the end of paragraph 3, add the following: 'In the event of any act of aggression being committed in breach of article 1.'

Dr. Benes continued that his third objection, which was his own, and not that of the French, was not one of principle, but from the general point of view of European policy. If the proposed treaty were signed, which involved a certain moral support to people whose boundaries were attacked, it would at once raise questions which at present were not settled; for example, the eastern frontiers of Poland. In fact, it might involve recognising the Treaty of Riga.<sup>2</sup> Up to the present time his Government had refused to recognise the Treaty of Riga. He had told M. Skirmunt that he had refused to do so because there were clauses contrary to the Treaty of Versailles, more particularly in relation to the economic and financial clauses and in connection with the pre-war debts of Russia. The territorial clauses of the Treaty of Riga were also contrary to the Treaty of Versailles. The Poles, in signing the Treaty of Versailles, had agreed to accept the decision of the Allied and Associated Powers in regard to their eastern frontier. The Allied and Associated Powers had given them the Curzon line,<sup>3</sup> and had provided that Eastern Galicia should be under Polish rule for a period of twenty-five years, at the end of which there should be a plebiscite, though the Poles had refused to sign this. He himself was perfectly loyal to the Poles, but he thought it necessary to mention the question of fact.

MR. LLOYD GEORGE thought it would be necessary for him and M. Barthou to talk to M. Skirmunt.

DR. BENES said that M. Skirmunt had said that he had sent a letter<sup>4</sup> to say that this was the moment at which the question of the eastern frontiers ought to be settled, and that he had asked for recognition of the Treaty of Riga.

MR. LLOYD GEORGE thought that this was vested in the Allies.

DR. BENES said that, if a Non-Aggression Treaty was to be signed, it was necessary to know what [was] meant by 'the frontiers', more particularly the eastern frontiers of Poland. He could guarantee that no trouble would arise now in regard to the frontiers in central Europe, but this did not apply to the case of the Russian frontiers of Poland and Roumania. If a Pact of Non-Aggression were signed without first settling the frontiers, misunderstandings would result. It might even provoke war. He had that morning prepared a note, which was not quite finished, and would be sent on this afternoon, on this subject.

MR. LLOYD GEORGE asked what was the gist of the note.

DR. BENES said that the whole question of the eastern frontier of Poland

<sup>2</sup> See No. 82, n. 9.

<sup>3</sup> See Vol. XI, No. 320, n. 2.

<sup>4</sup> In his telegram No. 34 (R) of April 15, Mr. Gregory transmitted the text of this Note to the Foreign Office. This telegram is not preserved in the Foreign Office archives. An identical Note, however, was communicated to Lord Curzon by the Polish Minister in London on April 14 (N 3683/2513/55).

depended on France. If France were thinking that it was possible to create a barrier on the eastern side of Germany, this was a bad policy. France appeared to think that such a barrier might be created between Poland and the Little Entente. He himself knew the strength of the Little Entente, and thought it important that the greater Allies should know it, too. The Little Entente could guarantee peace in the regions south of Germany and south of the Carpathians, but not on the eastern frontiers of Poland or Roumania. It was a mistake for France to suppose that that could be done. The Little Entente could not take the place in French policy which Russia had formerly occupied and which Russia had failed to maintain. He did not say this in any evil spirit against the Poles, but he wanted a peace based on realities. In reply to Mr. Lloyd George, he said that the eastern frontier of Poland, according to the Treaty of Riga, was now pushed out as far as the Pripet Marshes. The Poles had also absorbed a piece of Lithuania.

MR. LLOYD GEORGE asked if it had not been acquired as the result of a plebiscite.

DR. BENES said this was the case, but the Poles had taken the plebiscite themselves.<sup>5</sup> He said this with no animadversion against the Poles. He presumed that the question of Eastern Galicia would be settled on the idea of a twenty-five years' mandate.

MR. LLOYD GEORGE asked if there was any reason why Eastern Galicia should not be given autonomy similar to that given to Ireland.

DR. BENES agreed but he thought the probable solution was for a twenty-five years' mandate. France could accept a reasonable solution in Eastern Europe if she was relieved of her anxiety in regard to the West; that is to say, if she obtained a British pact of guarantee. Then, he thought, France would accept a reasonable reorganisation of Eastern Europe. He supposed that this might be associated with the Pact of Non-Aggression; that is to say, if France was given a sense of security by a Franco-British Pact, she would be willing to agree to a Non-Aggression Pact, and something might be arranged in regard to sanctions. It was necessary, however, to avoid giving Germany any right to believe that this was a policy of encirclement. If there were a pact of non-aggression and a British pact of guarantee to France, then he hoped Great Britain would give Central Europe its moral and diplomatic support.

MR. LLOYD GEORGE said this would follow if there were a pact of non-aggression.

DR. BENES said that France would desire to have within the pact some arrangement with the Little Entente. He could only agree to this if it were purely non-aggressive. Therefore, he thought that, if possible, the pact of non-aggression must be associated with the pact of guarantee to France by Great Britain, which might be completed by some arrangement with the Little Entente. His great aim was to avoid any suggestion of an encircling policy directed against Germany. As regards the Poles, there were two

<sup>5</sup> For the attempted plebiscites in Vilna, 1920-21, see Sarah Wambaugh, *Plebiscites since the World War* (Washington, 1933), vol. 1, chapter viii, and vol. 11, pp. 269-81.

eventualities: the Poles could remain out of the pact of guarantee by agreement with the Allies, but if the frontiers could be settled this would be a good reason for postponing until Poland was ready. The alternative was to admit Poland to the pact under a reserve. He thought it very important to settle the Polish territory question, because at present it lay within the competence of the Allies. Once, however, the Russians had been recognised, they would be in any future settlement, which it would then be difficult to achieve.

MR. LLOYD GEORGE asked if Dr. Benes was referring to Eastern Galicia.

DR. BENES said he was referring to Eastern Galicia and to the Lithuanian question. He understood that the Lithuanians were now raising the question of Vilna. Hence, the matter ought to be settled among the Allies at once. In reply to Mr. Lloyd George, he said that the Lithuanians had sent in a memorandum to the First Commission.<sup>6</sup>

MR. LLOYD GEORGE asked if the League of Nations had not already dealt with this question.<sup>7</sup>

DR. BENES said that the League had failed to achieve a settlement. The Lithuanians had accepted the League's decision. Poland, however, had occupied the territory in question and had rejected the League's decision. They had then carried out a plebiscite themselves, which had naturally resulted in favour of Poland.

MR. LLOYD GEORGE pointed out that this might lead to war. He asked if M. Skirmunt would not accept the decision of the League?

DR. BENES said that Poland would not. He then explained on a map the portion of the Vilna region which the League of Nations had laid down that the Poles were to evacuate on the understanding that there should be a full measure of autonomy. The Poles, however, had refused.

MR. LLOYD GEORGE said that the Poles were courting disaster. Poland was a country which the Western Allies could not reach. During the late war the Western Allies had had sea-power, but they had not been able to get into the Baltic. It was therefore impossible for anyone to help the Poles. Czechoslovakia, for instance, he presumed could not help them.

DR. BENES agreed. In any event he had a treaty of neutrality with Poland<sup>8</sup> under which, in case of war, Czechoslovakia would remain neutral.

MR. LLOYD GEORGE said that in the event of war the Poles would be wiped out.

DR. BENES said that was why he wanted to be very careful about the pact of non-aggression.

MR. LLOYD GEORGE asked if the Lithuanians had voted in the Vilna plebiscite?

DR. BENES said they had not.

<sup>6</sup> See No. 70, n. 8.

<sup>7</sup> See *ibid.*, n. 9. On January 13, 1922, the Council of the League of Nations had passed a resolution abandoning the attempt to settle the Vilna dispute (see *L.N.O.J.*, 1922, pp. 99-101).

<sup>8</sup> See No. 29, n. 10.

SIR EDWARD GRIGG said that the soldiers had voted, and, according to some accounts, some of the Polish soldiers had voted seven times.

DR. BENES said the great difficulty for him was that the Poles had declined to carry out the decision of the League.

MR. LLOYD GEORGE asked what was M. Barthou's view on this?

DR. BENES said it was a very difficult position for France. The whole of French policy was based on the idea of a military alliance with Poland.

MR. LLOYD GEORGE referred to a recent speech by M. Kameneff,<sup>9</sup> in which he had held out to the Bolshevik army the expectation of marching west. M. Kameneff's speech recalled Napoleon's famous speech before the invasion of Italy. He thought that if the Russian delegation went home empty-handed the Poles would march westward.

DR. BENES said he was not of that opinion. The Russians, on their side, were anxious lest Europe should march on them. He thought that if a non-aggression treaty was proposed the Russians would welcome it. They would be only too glad to secure immunity from attack for a few years.

MR. LLOYD GEORGE pointed out that the Russians had never really accepted the defeat given them by the Poles in 1920.<sup>10</sup> If the Russians were to advance on Poland, none could help them. He remembered at Spa<sup>11</sup> asking Marshal Foch if he could not send any cavalry, and the Marshal had replied, 'Not a squadron'.

DR. BENES said that the Prime Minister of Lithuania had spoken to M. Joffe,<sup>12</sup> who had described the Treaty of Riga as 'not a treaty of peace, but only an armistice'.

MR. LLOYD GEORGE said Poland was very ill-advised. He was afraid that Marshal Pilsudski<sup>13</sup> was the culprit.

DR. BENES said that M. Skirmunt was a very nice man to deal with, and very wise, but without any authority to settle this question.

MR. LLOYD GEORGE said that the Pact of Non-Aggression might be made subject to acceptance by the Poles of the decision of the League of Nations in regard to Vilna. It might be provided, however, that the League should give the Poles another hearing. Frankly, he did not wish to have a separate and independent Eastern Galicia, as he thought, if Dr. Benes would allow him to say so, that there were too many small countries already. He understood that about one-third of the population of Eastern Galicia was Polish.

DR. BENES suggested it was only a quarter.

MR. LLOYD GEORGE said that in Ireland about one-third of the population was British. He would give Eastern Galicia the same opportunity for entering

<sup>9</sup> Soviet representative in the negotiations with Great Britain for the Trade Agreement of 16 March, 1921 (see Vol. XII, Chap. V).

<sup>10</sup> A reference to the successful Polish offensive which began on April 27, 1920 and culminated in the capture of Kiev by the Poles on May 8, 1920.

<sup>11</sup> See No. 1, n. 12.

<sup>12</sup> Head of the Soviet delegation in the peace negotiations with Lithuania and member of the Soviet delegation to the Genoa Conference.

<sup>13</sup> Polish Head of State and Commander-in-Chief of the Polish armies.

a Polish federation as had been given to Southern Ireland, which had been granted autonomy though remaining part of the British Empire.

DR. BENES agreed that this would be a good solution.

MR. LLOYD GEORGE repeated that his plan would be for the League of Nations to hear the Poles again. It might even be stated in the pact that the boundaries of Poland were to include Eastern Galicia, but that Eastern Galicia was to have complete autonomy, and that as regards Vilna Poland must accept the decision of the League of Nations, which should give it a fresh hearing.

DR. BENES asked if Mr. Lloyd George was ready to accept the boundaries laid down in the Treaty of Riga for Poland.

MR. LLOYD GEORGE said he thought they should be accepted. If Russia had accepted them, it was not for the Allies to quarrel with them. So long as the Russians had signed, it was not for him to object.

DR. BENES said that if, within a certain number of years, as he thought would occur, Russia were to attack Poland, his country would have to say that morally it was opposed to the eastern boundary drawn in the Treaty of Riga.<sup>14</sup>

(At this point M. Barthou entered.)

<sup>14</sup> In a memorandum of May 1, Mr. Wigram commented as follows:

'Were they adopted in their entirety, Dr. Benes's proposals would doubtless be a great coup for the French, and incidentally for the Little Entente and Poland. The treaties are to be specifically confirmed by victors, vanquished and "neutrals" alike. A big step is to be taken in the interests of the victors, and in advance of the Covenant of the League, under which the Members of the League certainly never specifically pledged themselves to the recognition of existing treaties. France (reinforced by the conclusion, Dr. Benes hopes, of the Anglo-French Pact) is to retain the right to take coercive measures against Germany. The Little Entente retain the right to take immediate military action should a Habsburg return to Budapest. Other combinations in Eastern Europe can easily be envisaged.

'Dr. Benes refrains from considering the attitude of Germany, or of Hungary, or even of the "Neutrals" to such a non-aggression pact. Will the German Government readily reconfirm the Versailles frontiers and the reparation clauses, which it has always maintained before its public opinion were wrung from it by *force-majeure*? Will the "Neutrals" be so anxious to confirm treaties which some of their delegates have gone so far as to call "the cause of all the trouble in Europe"?

'If the Germans and the "Neutrals" are seriously to be asked to confirm treaties as well as frontiers and the right of taking sanctions is to be specifically acknowledged, the British Delegation must insist on a *full* settlement in Europe as a prior condition, and not a *partial* settlement, such as the French want and such as Dr. Benes considers sufficient.

'We must insist on the closing in the economic body of Europe of the wound which is represented by the present state of the Allies' relations with Germany, and by the manner in which the execution of the Treaty is being used by the French to prevent the recovery of Germany. We cannot afford to allow the treaties to continue to be "the cause of all the trouble in Europe".

'We must bring the French into the open and let the world see that the choice is between the dominance of France based on the economic ruin of Germany, and perhaps of Europe, and a France supported by a non-aggression pact, recognising frontiers and treaties also (provided that their reasonable settlement is assured) and reinforced perhaps by an Anglo-French Pact concluded when the outstanding difficulties between England and France have been removed.'



Just after the arrival of M. Barthou, Dr. Benes, while saying good-bye to Mr. Lloyd George, said that another question which had to be considered was the sanctions for the Treaty of Versailles. It was important not to interfere with these.

MR. LLOYD GEORGE pointed out that these were provided for by the Treaty of Versailles, and there was no idea of interfering with them.

DR. BENES, after the party had been joined by M. Barthou, suggested that the term 'disarmament' should be replaced by the term 'limitation of armaments,' which M. Camerlynck mentioned had been used at the Washington Conference.<sup>15</sup> This term was also used in article 8 of the covenant.

MR. LLOYD GEORGE agreed.

(Dr. Benes then withdrew, leaving M. Barthou with Mr. Lloyd George.)<sup>16</sup>

*Hotel Miramare, Genoa, April 26, 1922.*

#### APPENDIX TO No. 95

##### *Draft of the Non-Aggression Pact.*

(List of contracting States.)

Being desirous of establishing on a firm and lasting basis the peace and security of Europe,

Recognising that the inviolability of the territory of another Power is a fundamental and universal principle of international law, and as such is binding on all civilised States,

Being pledged in many cases by the terms of the Covenant of the League of Nations to resist all acts of external aggression against the territorial integrity of other members of the League,

Having resolved to facilitate the cause of disarmament by a pledge to refrain from all acts of external aggression, and

Having decided to conclude convention to this effect, have appointed as their plenipotentiaries  
who

have agreed as follows:—

1. Each of the high contracting parties pledges itself to refrain from any act of aggression against the territorial integrity of any other of the high contracting parties.

2. In the event of any act of aggression being committed in breach of article 1, each of the high contracting parties pledges itself to make use of all means at its disposal and to resort to any organisation which may be available for the discussion, consideration and adjustment by peaceful means of the dispute out of which the act of aggression arose.

*Hotel Miramare, Genoa, April 23, 1922.*

<sup>15</sup> See Vol. XIV, Chap. VI.

<sup>16</sup> For their conversations, see No. 96, below.

s.G. 18] *Notes of a Conversation at the Villa d'Albertis, Genoa, on Wednesday, April 26, 1922, at 12 noon.*

PRESENT: *British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P., The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P., Sir Maurice Hankey, G.C.B., Sir Edward Grigg, K.C.V.O., C.M.G., Sir Cecil Hurst.

*France*: M. Barthou, M. L'Amirault, M. Lagarde, M. Camerlynck.  
*Anglo-French Policy.—M. Poincaré's Speech at Bar-le-Duc.*<sup>1</sup>—*Mr. Lloyd George's Statement on Sunday, April 23.*<sup>2</sup>

1. MR. LLOYD GEORGE asked if M. Barthou was prepared to visit Bar-le-Duc with him.

M. BARTHOU replied that he was willing to do so if Mr. Lloyd George would precede it with a digression into his speech on the previous Sunday. He himself had not told the press what had happened, and the account they had received had not been exact. Nevertheless, the question had not failed to excite a certain commotion in France. He himself had not chosen to take what Mr. Lloyd George had said as aimed at France. In Paris, however, there had been a good deal of excitement about the matter.

MR. LLOYD GEORGE remarked that he had only said that his country must go along the paths of peace. He himself had always assumed that the contrary attitude was not that of the vast majority of the people of France, but in France, as in Great Britain and other countries, some people were chauvinistic and not in favour of peace. An example of this was provided by the 'Times' and the 'Morning Post' in Great Britain, and the 'Echo de Paris' in France. He had addressed himself to the chauvinistic of both nations.

M. BARTHOU said that he had always insisted that it was Mr. Lloyd George's wish to work in close relations with France, and there was not a telegram in which he had not said so. If Mr. Lloyd George would make a statement to this effect it would make an excellent impression.

MR. LLOYD GEORGE said he would do so.

M. BARTHOU alluded to a statement which had appeared in the press the same morning, which had been made by a collaborator of Mr. Lloyd George<sup>3</sup>—no doubt under directions of the Prime Minister. Perhaps Mr. Lloyd George would be willing to make a statement, through someone else, in favour of France.

MR. LLOYD GEORGE asked if the 'Temps' had not already made such a statement.

SIR EDWARD GRIGG said it had appeared in the 'Temps' of the previous evening.

MR. LLOYD GEORGE stated that he had not seen it himself, but he asked if M. Barthou had not.

<sup>1</sup> See *The Times*, April 25, 1922, p. 11.

<sup>2</sup> See *ibid.*, April 26, 1922, p. 14.

<sup>3</sup> The statement was made by Sir Edward Grigg (see *The Times*, April 26, 1922, p. 14).

M. CAMERLYNCK said that he himself had seen the statement, and he recalled the gist of some of it.

M. BARTHOU recalled that two days before, Mr. Lloyd George had said to him that France and Great Britain were the two pillars of peace, and that if they diverged everything would fall.<sup>4</sup>

MR. LLOYD GEORGE said he adhered to that.

M. BARTHOU said that he was now prepared to discuss the Bar-le-Duc speech.

MR. LLOYD GEORGE said that M. Poincaré had apparently committed himself to take action against Germany. If the Allies were willing to go with him—*tant mieux*. If not he would go alone. Surely M. Poincaré ought to have consulted the Allies before making such a statement. It was a mistake to assume that the Allies would not support France. This was a kind of warning to Germany that France stood alone. What, he asked, was the use of that? Why did not M. Poincaré consult the Allies before making such a statement? All the signatories to the Treaty of Versailles, except the United States of America who had signed, but not ratified, were now at Genoa. In fact, meetings of these States had already been held. Why, therefore, did M. Poincaré not come and speak to his Allies at Genoa? They would all be going home before long. It would be impossible for them to assemble again at Paris to talk this matter over. As they were all at Genoa they ought to be consulted in regard to the action which France proposed to take on the 31st May.<sup>5</sup> If they refused to join in the French action, then there was still ample time for France to say that she would go again by herself.

(Sir Cecil Hurst entered at this point.)

M. BARTHOU said that he had carefully read and reread M. Poincaré's speech, and he had formed the impression that it did not convey what had been suggested in the first press messages. M. Poincaré had evidently spoken on two hypotheses; first, that the Allies would support France in maintaining the treaties of peace and enforcing reparations, and secondly, that the Allies would not. He thought, however, that it was the first hypothesis—that of accord between the Allies—which M. Poincaré had envisaged. He would certainly tell M. Poincaré of the present conversations. In any case, M. Poincaré's speech did not modify the general attitude of France nor the reciprocal relations of the representatives of the two countries at the Genoa Conference. For his part, he could say that he stood as strongly as ever for solidarity and confidence—yes, he would repeat the word 'confidence'.

MR. LLOYD GEORGE said that his own feeling was the same as that of every other delegation, viz., that M. Barthou had acted under very difficult conditions in a spirit of complete loyalty to the Genoa Conference, and he had never departed from this in any of the conversations he had had. He was afraid, however, that he was unable to take the same charitable view as M. Barthou of M. Poincaré's pronouncements. M. Poincaré had spoken of

<sup>4</sup> See No. 93, n. 1.

<sup>5</sup> The date by which Germany was to accept the measures laid down by the Reparation Commission in their letter of March 21, 1922, to the German Chancellor.

measures to be taken, and had assumed that either the Allies would agree, or else that France would act alone. When, he asked, were the Allies to be given an explanation of what measures M. Poincaré proposed? He himself was all in favour of solidarity, which he agreed was essential to the peace of Europe, and was the foundation on which the peace of the world depended. A speech like that of M. Poincaré, however, was doing much to shatter that solidarity. M. Barthou was here in Genoa doing his best to keep the Allies together while strongly maintaining the French point of view, and then came a speech like that of M. Poincaré, committing the Allies to things which had never been explained to them.

M. Poincaré's references to Genoa, also, had been most unfortunate. He had said that if the French policy did not triumph, the French delegation would withdraw. (In translating this, M. Camerlynck observed that the word 'triumph' was not so strong a word in French as in English; it only meant that the French policy should prevail. On this Mr. Lloyd George observed that this was the explanation of M. Barthou and not of M. Poincaré.) Mr. Lloyd George, continuing, asked what would be said if he had done such a thing. It would be said he was doing his very best to shatter the alliance, which was one of the great facts of history. He himself was very apprehensive as regards the future. The Russo-German treaty<sup>6</sup> appeared to him to be a portent. He did not know if there was any military understanding.<sup>7</sup> A few minutes before, he and Dr. Benes<sup>8</sup> had been looking at a map of Eastern Europe. It had been clear that Poland could not be saved by the Western Allies. It was impossible to help Poland if she were attacked by Germany or Russia. Poland would be crushed like an egg-shell. His first policy was that France and Great Britain should stand together in order to ensure the peace of the world. His second policy was to support Poland from Russia. M. Poincaré, with his blinkers on, at Bar-le-Duc, had been driving for a policy which, if carried out, would be a catastrophe to Europe. The only practical point he wished to raise was this—that the Allies who had signed the Treaty of Versailles should have a conversation before they left Genoa as to what was going to happen on the 31st May. Did M. Poincaré really think that such a question could be referred to a council of Ambassadors? If a first-class decision had to be taken, it must be taken by the heads of States and not by a council of Ambassadors. If M. Poincaré really thought this, he did not know where he could live unless in a dug-out.

M. BARTHOU said he was in an awkward position. He could hardly refer Mr. Lloyd George's compliments to himself to Paris.

MR. LLOYD GEORGE said that he himself would have to say something about it.

M. BARTHOU said he was rather embarrassed because Mr. Lloyd George began by speaking of M. Poincaré's speech, and ended by carrying an order of the day in favour of M. Barthou. This was not the way in his Parliament.

He begged Mr. Lloyd George to understand that everyone had to act according to his temper and surroundings. He himself was in the middle of

<sup>6</sup> See No. 75, n. 1.

<sup>7</sup> Cf. No. 79.

<sup>8</sup> See No. 95.

the struggle and had to take his own decisions. M. Poincaré was standing aloof and was in a position to criticise. In regard to the substance of what Mr. Lloyd George said, however, he was absolutely in agreement. M. Poincaré, at Boulogne,<sup>9</sup> had recognised what Great Britain had done for Europe in the common cause, and had said that there could be no peace in Europe without accord between Great Britain and France. At bottom, therefore, M. Poincaré was with Mr. Lloyd George.

He asked that they might now leave the question of the Bar-le-Duc speech and return to matters relating to Genoa. In regard to this, nothing had been changed by M. Poincaré's speech. He was willing to speak either of the proposed memorandum to the Russians, or of the proposed non-aggression clause. He had full authority to discuss these questions, and he thought it should not be difficult to reach an agreement.

*Proposed Meeting of Signatories of Treaty of Versailles.*

2. MR. LLOYD GEORGE said that he wished M. Barthou to take the proposal for a meeting of the signatory Powers of the Treaty of Versailles at Genoa as a definite suggestion offered on behalf of the British Empire delegation.

M. BARTHOU said he would note it as a formal suggestion of the British Empire delegation, and he promised to pass it on to the French President of the Council. He remarked that the President of the Republic would be back early in May. M. Poincaré would then no longer be in the position which compelled him to remain in Paris, and he might do what he had suggested at Boulogne, and come to Genoa. He himself agreed that there ought to be a meeting of the Allies who had signed the Treaty of Versailles. Mr. Lloyd George could feel assured that the question would be put, and put quite definitely, to M. Poincaré.<sup>10</sup>

*Proposed Statement to the Russian Delegation.*

MR. LLOYD GEORGE said that frankly he wished to avoid bringing the Germans and Russians together. If Germany were to reconstruct Russia, the peace of Europe would be in great danger. Hence it was desirable, from the point of view of France, Great Britain, and Europe as a whole, that the restoration of Russia should be in the hands of Europe and not of Germany.

M. BARTHOU said that his point of departure was the same as Mr. Lloyd George[s], and he was of opinion that it was necessary to try and reach an agreement. Unfortunately, he feared the Russians were slippery as eels. One day they accept and one day they refuse. This made it all the more necessary to try and pin them down. Otherwise the whole world would have the laugh of the Powers at Genoa and there would be a most irritating situation. America would say how glad she was not to have come to Genoa. It would be necessary to show that if agreement was not reached this was clearly the fault of the Russians.

<sup>9</sup> See No. 34.

<sup>10</sup> At a meeting with Mr. Lloyd George and Sir Maurice Hankey on April 26, 1922 at 5.30 p.m. (S.G. 19, not printed), Baron Hayashi was informed of the substance of this conversation.

MR. LLOYD GEORGE agreed.

On the last point mentioned by M. Barthou, it would be most satisfactory if it could be shown not only to the public opinion of the Western States but to the public opinion of Russia, that any break was due to the action of the Russians. His belief was that the Russian people would be much disturbed if the conference failed. If, however, the Russians were allowed to go back and say that the powers had demanded this and that and offered nothing, then it would merely consolidate them. Dr. Benes's information supported this. The Russian people might be consolidated in despair as in success. He therefore wanted to get a document prepared which would convince public opinion that the Powers had gone as far as possible in dealing with Russia. He wished, by this memorandum, to convince public opinion in Russia as well as in Europe, and to show to Russian opinion that any failure was due to the intransigence of the Soviets and not to the severity of the demands of the Powers.

M. BARTHOU said that he had no objection, and this was his way of thinking.

MR. LLOYD GEORGE said he would only make one more observation before Sir Laming Worthington-Evans explained his draft. He and Sir Laming belonged to a profession in which they often had to advise clients as to what they should do when they had claims against a company or an individual who had mismanaged their business and gone bankrupt. It was not enough for them to tell their clients that it was these people's fault, but they had to advise what they should do. Usually they advised them to get the best terms they could. That was the spirit in which he approached this question. The fault was partly that of the Bolsheviks and partly that of others; for example, the Tsarist Government, Kerensky<sup>11</sup> (who had had no courage), Denikin and Kolchak, all very stupid people, &c. All Russians, whether they were red, white, or green, had been tearing their poor old country to pieces. The effect was they were in a hopeless position. Hence it was necessary to advise the creditors to make the best of a bad job or else they would get nothing at all. That was the spirit in which he was advising the chauvinists in England; that they should give Russia a chance to start again, but in doing so should not press so hard that they had no chance of ever arising again.

M. BARTHOU said he had no objection in principle. Many of the things Mr. Lloyd George had just said had been said by him two years before in the Tribune of the Chamber.<sup>12</sup> Of course, it was necessary to safeguard that any agreement was kept within the terms of the Cannes resolutions.<sup>13</sup> That was what M. Poincaré had said at Bar-le-Duc, and this point of view applied not only to France, but to her Allies at Genoa, and had been closely adhered to by the London experts.<sup>14</sup> If, however, the Russians insisted that the fulfilment of the Cannes resolutions must be preceded by *de jure* recognition, the position was impossible. He agreed that the Allies must not demand impossible things of Russia; they must be reasonable and must not, for instance, expect Russia to give up her means of existence. He only asked that their demands

<sup>11</sup> M. Alexander Kerensky, Russian Prime Minister from July to November, 1917.

<sup>12</sup> Cf. No. 72, n. 10.

<sup>13</sup> No. 6, Appendix.

<sup>14</sup> No. 56, Appendix.

should be within the limits of the Cannes conditions, which was a definite programme before the Allies.

MR. LLOYD GEORGE suggested that Sir Laming Worthington-Evans should now read a document<sup>15</sup> he had prepared.

M. BARTHOU asked when the Sub-Committee of the First Commission would meet.

MR. LLOYD GEORGE suggested it might meet on the following day. He thought the Allies could meet in the morning and the sub-committee in the afternoon. This would give time to work out their memorandum.

M. BARTHOU said that he was glad to listen to Sir Laming Worthington-Evans's memorandum, but he could not commit himself to it at one reading and must reserve the right to discuss it with his experts.

SIR LAMING WORTHINGTON-EVANS then read the preface to his draft memorandum. He explained that the idea of it was to show the Russians that there was a good deal that the Allies could do for them.

M. BARTHOU commented favourably on the preface, which he thought clear and responding to the necessities of the situation. He said he would now like to come to the book.

SIR LAMING WORTHINGTON-EVANS said that before coming to the body of his report he must explain that the Russians had wished to write off their war debts altogether. This had hitherto been absolutely refused. Having regard, however, to the devastation of the country during the war and after the war (the Prime Minister interjected that we had assisted in this latter devastation), and to the impossibility of Russia ever paying in full, the suggestion had been made to write down the debt 50 per cent.

M. BARTHOU after making an explanation of his personal position in regard to the matter, suggested that perhaps some formula might be found in regard to Government debts.

MR. LLOYD GEORGE said that in the document which had been handed to the Russians at the Villa d'Albertis on the 15th April,<sup>16</sup> it had been agreed to make substantial reduction in the Government debts. M. Barthou could argue on these lines, viz., that the British claims were five times those of France. Great Britain was owed £600,000,000 sterling and France £120,000,000 sterling by Russia. Consequently, France was not being asked to make as great a sacrifice as Great Britain. Great Britain was sacrificing a national debt for the benefit of private owners, who as a matter of fact, were for the greater part French subjects. They were proposing to write down their war debts to the advantage of French private holders of Russian debts. If the Governments were to claim the full amounts of their debts, there would be nothing left for the private creditors.

SIR LAMING WORTHINGTON-EVANS said this was a very important point for the Russians. They had started by refusing to admit any war debts. If nothing were remitted they would get absolutely nothing. The proposal to leave over the question of Government debts to be settled as part of the general question of inter-Allied indebtedness did not appeal to him. It might be

<sup>15</sup> See No. 97, Appendix I, below.

<sup>16</sup> See No. 74, Appendix.

very inconvenient to have the Russians taking part in their discussions with the United States of America and other nations.

M. BARTHOU said that these were reasons which he admitted had a certain value and which had not escaped his attention.

SIR LAMING WORTHINGTON-EVANS then continued reading his memorandum.

(Sir Maurice Hankey left at this point to obtain a copy of the document handed to the Russians at the Villa d'Albertis on the 15th April, 1922.)

M. BARTHOU said that so many important points had been raised that he thought he ought to discuss them with his experts.

SIR CECIL HURST, after the reading of the paragraph dealing with propaganda, said that this had been put forward merely in order to ensure that the document might contain something ruling out propaganda in principle.

At this point there was some discussion in regard to a passage dealing with the relations of the Soviet to the Government of Angora.<sup>17</sup> Sir Cecil Hurst said that the principle of this clause was a desire that the Soviet should help in the establishment of peace in the Near East.

MR. LLOYD GEORGE at this point handed to M. Barthou the document handed to the Russians at the Villa d'Albertis on the 15th April which Sir Maurice Hankey had produced.

M. BARTHOU said that he had raised objections to this under instructions from his Government, with whom he was in communication. He hoped it was clear that there had to be Parliamentary sanction for the whole of this arrangement.

MR. LLOYD GEORGE agreed that the whole of the arrangement with Russia had to be covered by Parliamentary sanction.

SIR LAMING WORTHINGTON-EVANS then continued to read his memorandum, dealing with the various points seriatim. At the end of this reading he suggested that he should be allowed to meet M. Seydoux and M. Cattier and an Italian representative the same afternoon, in order to work out the details of the memorandum.

M. BARTHOU accepted this.

At 1.45 P.M. the meeting adjourned for luncheon, and M. Seydoux, M. Cattier, and Signor Jung were invited by telephone to go to the Villa d'Albertis at 3 P.M.

*Hotel Miramare, Genoa, April 26, 1922.*

<sup>17</sup> A Treaty of Friendship between the Soviet Union and the Angora Government was signed on March 16, 1921 (see *B.F.S.P.* vol. 118, pp. 990-6).



I.C.P. 247C] *Note of an Informal Meeting held at the Villa d'Albertis, Genoa, on Wednesday, April 26, 1922, at 6 p.m.*

PRESENT: *Belgium*: M. Cattier.

*British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P., The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P., Sir Cecil Hurst, Sir Sydney Chapman, Sir Maurice Hankey, G.C.B.

*France*: M. Barthou, M. Seydoux, M. Alphand, M. Fromageot, M. L'Amirault, M. de Felcourt, M. Lagarde.

*Italy*: Signor Jung.

INTERPRETER: M. Camerlynck.

*Note*.—The members of the Expert Committee had spent the afternoon since 3 P.M. discussing a draft prepared by the British delegation.<sup>1</sup> At the point where this meeting began they had felt that they could usefully put Mr. Lloyd George and M. Barthou in possession of the present position in the matter. In the absence of M. Jaspar and Signor Schanzer and Baron Hayashi, the meeting was entirely informal.

*Proposed Memorandum<sup>1</sup> for Presentation to the Russian Delegation.*

SIR LAMING WORTHINGTON-EVANS, who had taken the chair at the experts' meeting, explained that the preface had been carefully read and was to be considered by each delegation carefully the same evening. He had asked each of the delegations represented there to prepare a summary of what the nation it represented could do to assist Russia, and this would be incorporated in the final text. Coming now to the conditions to be formulated by the Powers, he said that the first point was whether inter-Government debts were to be reduced. M. Seydoux had undertaken to discuss this matter with M. Barthou. His own point was that if a reduction were to be made the Soviet Government must know the amount of the reduction.

M. SEYDOUX said that their difficulty was to admit the Soviet representatives to further discussion of this question, since this would give the impression that the debts were to be cancelled.

SIR LAMING WORTHINGTON-EVANS remarked that by the formula he had proposed the Soviet representatives would be absolutely tied up. There would be no question of further discussion with them.

MR. LLOYD GEORGE pointed out that the inviting Powers were bound by the proposal which had been formulated at the Villa d'Albertis, and presented to the Russians on the 15th April,<sup>2</sup> in regard to which the Soviet delegation had telegraphed to Moscow. The inviting Powers were bound by that. The percentage, he admitted, was a matter for discussion, but the reduction would have to be substantial or else the Bolsheviks would justly say they were being trifled with. It was true that the Soviet representatives had gone back on their bargain, but the other Powers must not follow them in that.

(The draft under discussion is attached in Appendix I.)

<sup>1</sup> See No. 96, minute 2.

<sup>2</sup> See No. 74.

SIR LAMING WORTHINGTON-EVANS, referring to clause 2, said there was a grievance as regards the first three lines. The remainder of the clause dealing with the moratorium he would deal with later on, after he had discussed clause 3, since the moratorium was to be dealt with in a new clause 4. Referring to clause 3, he said that the Soviet Government was not to be responsible for the debts of local authorities, but to cause their debts to be recognised unless such debts had been incurred without the permission of the Soviet Government. For instance, the Soviet Government apprehended that the debts incurred by local bodies under the authority of General Denikin and Admiral Kolchak might have to be recognised. Sir Cecil Hurst and M. Fromageot were to prepare a draft on this subject.

M. SEYDOUX said he thought that this was only fair.

SIR LAMING WORTHINGTON-EVANS said that coming now to the new clause 4 dealing with a moratorium the experts were not in agreement. He had proposed that the interest should be annulled for the first five years; that for the second five years it should be 2 per cent.; the third five years, 4 per cent.; after which it should reach whatever the fixed permanent rate was. M. Seydoux, however, found a difficulty in this. He pointed out that in funding operations the interest was usually capitalised. His reply to M. Seydoux was that the details vary in every funding operation. It was true that interest was not often remitted, but there was nothing inconsistent in his proposal with a funding operation.

M. SEYDOUX said he must add that this was an important Parliamentary and Government question. There were in France 1,200,000 bondholders who possessed great political and electioneering influence. It was essential that they should not act without agreement with their bondholders who would have to be consulted. There were representatives of the French bondholders now in Genoa. All he could say was that they would see the bondholders and recommend them to accept a moratorium for the reason that otherwise they might stand to get nothing at all. If they acted otherwise it might be said that the Government had acted beyond their powers and they might even be sued in the courts. They could not act without the permission of the bondholders.

MR. LLOYD GEORGE said that if the agreement were signed as it stood the value of the Russian bonds would be doubled or trebled immediately on the Paris Bourse, and for the matter of that on other bourses. The value of these bonds at present was purely nominal. It might be possible to sell them in small numbers, but if any large number were placed on the market they would become valueless. If, however, agreement were reached with Russia they would at once have a property value.

SIR LAMING WORTHINGTON-EVANS added that he had read in the Paris press that there had been dealings in these bonds on the Paris Bourse in anticipation of agreement at Genoa.

M. ALPHAND said that Russian bonds first dropped to almost nothing, then they rose to the value of  $1\frac{1}{2}d.$  on the ground that the service of the debt was to be resumed; that was the reason for the rise.

MR. LLOYD GEORGE said that there would be no real rise unless there were an agreement, then he had no doubt that these bonds would rise in value.

M. SEYDOUX said that if the interest were to be cancelled for five years, and then to be only 2 per cent. for another five years, there would not be much rise. If this happened he would sell his own.

In reply to the Prime Minister he said that they would not reach one-tenth of their former value.

SIR LAMING WORTHINGTON-EVANS asked what was their present value.

M. SEYDOUX said that this, of course, was very small. There were three representatives of French bondholders now in Genoa.

MR. LLOYD GEORGE asked if they could be consulted this evening.

M. ALPHAND suggested that the bondholders might themselves enter into negotiations with the Bolshevik representatives.

M. LLOYD GEORGE said that M. Alphand's remark suggested an idea for settling the matter without fixing a percentage or the details of a moratorium. The agreement might provide for a reduction of war debts and interest, provision to be made for agreement between the bondholders and the Soviet Government, or, failing agreement, the decision to be by a tribunal composed of an equal number of representatives of the Governments concerned on the one side and the Soviet Government on the other side, with an impartial chairman to be nominated by the League of Nations or the United States of America. This would surmount the political difficulties. He realised the political difficulties presented by M. Seydoux. The Russians would say that they were unable to pay in their present circumstances. The representatives of the bondholders would then put their case in favour of payment, and if they could not agree there would be a judgement by an impartial tribunal.

SIR CECIL HURST suggested that, if the decision were handed over to a tribunal, it might be difficult to rule out the Russian counter-claims.

M. ALPHAND pointed out that the counter-claims of Russia were entirely set against war debts, and not against private claims.

MR. LLOYD GEORGE said his plan would surmount the political difficulties which confronted M. Jaspar and M. Barthou, as well as Sir Laming Worthington-Evans and himself. The difficulty would be to find an impartial chairman. The League of Nations consisted of the Powers opposed to Russia, but the United States of America was not subject to this criticism, and probably had not many debts due by Russia.

M. SEYDOUX said that America was specially interested in freeing Russia from debt in order to secure trade, and therefore might not be quite impartial.

MR. LLOYD GEORGE said that the president might be nominated by the Supreme Court of the United States of America, which was a very fine Court of Justice.

M. SEYDOUX said it would not be a very practicable procedure to try these cases in America.

MR. LLOYD GEORGE said his only proposal was that the Supreme Court could appoint a jurist to act as president.

M. BARTHOU said he felt the proposal was very interesting. He would like, however, to reserve judgement on it until the following day, though he would consider it in a favourable spirit.

MR. LLOYD GEORGE asked if there was any country in Europe [*sic*]. He understood a suggestion had been made for the International Court of Justice at The Hague to nominate the president, but he understood Sir Cecil Hurst had objections.

SIR CECIL HURST said his objections applied to the International Tribunal of The Hague, which was an unsuitable body for such a task as nominating the president. This objection, however, would not apply to the President of the Court, who was a distinguished Dutch jurist.

M. BARTHOU thought this was a useful suggestion.

MR. LLOYD GEORGE proposed that they should offer three alternatives to the Soviet representatives, namely, either the President of the League of Nations, or the President of the Supreme Court of the United States of America, or the President of the International Court of Justice, one of whom might be selected to appoint a president on the proposed tribunal.

M. SEYDOUX agreed in this, and thought that perhaps the Russians might object to the League of Nations, but not to the others.

MR. LLOYD GEORGE said this proposal should be put to them.

M. BARTHOU said that, though there was not anything against any of their national courts, all would agree that the Supreme Court of the United States of America was a very fine body.

MR. LLOYD GEORGE agreed.

SIR LAMING WORTHINGTON-EVANS said he would now turn to clause 5, which was the former clause 4. As drafted, it would give the nationals of other States possessing property in Russia the option of resuming use of their property. M. Seydoux and M. Cattier both said they were opposed to this, and the latter was very strong on the point. M. Jaspar had told M. Cattier just before he came to this meeting that he had established contact with Belgian public opinion, which was very excited about this, and insisted that nothing must be acknowledged except the absolute right of property. He understood that M. Fromageot had prepared a draft on the subject which was based on the proposals by M. Seydoux.

M. CATTIER said that England possessed several forms of property. Thus, to substitute leasehold for freehold was not a very serious matter for an Englishman. On the Continent, on the other hand, there was only one recognised form of property. Consequently, they could not substitute leasehold for freehold without weakening the whole idea of the property. It was the social aspect of the question that alarmed them.

MR. LLOYD GEORGE said that he would stand on the Cannes resolutions.<sup>3</sup> It was no use going to the Soviet representatives and saying that they must accept the Cannes resolutions when we were not prepared to accept them ourselves. This was his first point. Every Government had the right to nationalise, socialise or syndicalise property if it desired; for example, it could

<sup>3</sup> See No. 6, Appendix.

transfer land to the peasants as had been done in Roumania<sup>4</sup> and in Czechoslovakia.<sup>5</sup> Landlords in Czechoslovakia, who were British subjects, had come to him and complained that their property had been nationalised. He had said that he could not interfere in the laws made by another country. In reply to Sir Laming Worthington-Evans, he said that these landlords had been given some nominal compensation, but it was not of much value. The only thing that the Powers could complain about was if the property of foreigners was treated differently from the property of Russian nationals. They were, of course, entitled to say that traders and others would not go into Russia unless they were given a reasonable compensation. He then read clause 1 of the Cannes resolutions, as follows:—

‘Nations can claim no right to dictate to each other regarding the principles on which they are to regulate their system of ownership, internal economy and government. It is for every nation to choose for itself the system which it prefers in this respect.’

This applied not only to Russia, but equally to Czechoslovakia, Roumania and all other countries, and it was impossible for the Powers to say that the Russians must adopt some system of property, such as the Belgian system. They could only say that compensation must be given. This was under the Cannes resolutions, which had been deliberately adopted.

M. SEYDOUX said that he thought his formula would cover the point. They only dealt with fixed property; movable property was out of the discussion. He then read the following draft:—

‘Le Gouvernement de la République soviétique s’engage à restaurer les ressortissants étrangers dans les droits de propriété ou autres qu’ils possédaient en Russie ou à les indemniser soit par la remise de bons immédiatement productifs d’intérêts soit sous la forme de concessions dont la valeur et la nature seront déterminées par la commission.’

When Mr. Lloyd George had spoken on Point 1 of the Cannes resolutions, he pointed out that Russia was entitled to have her own system of property. On the other hand, it was provided in paragraph 3 of the Cannes resolutions that security would not be re-established unless the Governments of countries desiring foreign credits freely undertook to recognise all public debts and obligations, &c., as well as the obligation to restore or compensate all foreign interests for loss or damage caused to them when property has been confiscated or withheld. This was very important, because, as he had said before, it might happen that some other Government might arise in Russia, or that even the Soviet Government itself might decide to recognise private property. The principle adopted by the Soviets might not be so permanent as M. Krassin had suggested.

MR. LLOYD GEORGE said that M. Seydoux’s draft was trying to put in the thick end of the wedge first.

M. CATTIER said that he thought that the English formula would in some

<sup>4</sup> The transfer of land to the peasants in Roumania, which had begun in 1918, was completed in July, 1922.

<sup>5</sup> By legislation in April, 1919, and subsequent legislation.

respects be preferable to M. Seydoux's. Under the latter nothing would be obtained, whereas the English formula would ensure something being received.

MR. LLOYD GEORGE agreed. The English formula gave the substance but not the form, which was perhaps characteristic of the British, who always wished to get the substance.

M. CATTIER said that the difficulty was political. He asked what was the use of an international agreement which would produce nothing.

MR. LLOYD GEORGE said he understood that Sir Cecil Hurst had a formula.

SIR CECIL HURST said he had prepared a formula before the present meeting, which he would now read. He then read the formula attached (Appendix II).

MR. LLOYD GEORGE said that Sir Cecil Hurst's draft was an acknowledgment of the principle desired by the Belgian delegation and also gave the substance. There was, however, something in M. Seydoux's formula which gave the bondholders the right to make an arrangement with the Soviet Government. Most of the bondholders were people whom the Soviet representatives wished to win over. M. Litvinoff had made a wise remark when he said that these matters were easier in practice than in principle. He, therefore, would like to supplement Sir Cecil Hurst's draft by providing some machinery which enabled the property holders to get in touch with the Soviet Government.

M. SEYDOUX said that it was obvious that a private owner had the right to conclude his own arrangement with the Soviets.

MR. LLOYD GEORGE said that he would like to have something on the face of the document which would show that the Powers realised that the Soviets had their own difficulties. There was a real difficulty here for the Soviets, inasmuch as their whole system was based on nationalisation without compensation. He would like to have the recognition of this stated in some such terms as the following:—

'Having regard to the desirability of interesting in the reconstruction of Russia those who had been engaged in Russia before the war, &c. . . .'  
He would also state, at the beginning of the document, that the creditors would do their best for the reconstruction of Russia. This would emphasise that the Powers realised that the Russian Government must get something from the scheme. It would help them over their difficulties and so facilitate the settlement.

M. SEYDOUX said this was a mere question of drafting. The document was composed of two parts. The first part was to be studied by various delegations the same evening, and was very important since it dealt with the question of reconstructing Russia. He had spoken at some length to Sir Maurice Hankey on this subject. The other part dealt with the undertakings of Russia towards the Powers.

Mr. Lloyd George's proposal appeared to be a link between these two parts.

MR. LLOYD GEORGE agreed that this was the case, and said it was also intended to render the proposals more acceptable to the Soviets.

M. CATTIER said that there were other matters which ought to be dealt with, e.g., the conditions of labour and so forth in the industrial regions. There must be such matters as provision for the right of dismissal of workmen and control over the labour. This had been provided for in the London draft,<sup>6</sup> in which it had been stated that the conditions in Russia must correspond to those in force in Western countries.

MR. LLOYD GEORGE said he hoped they would be better in Russia than this. At the present time, there were forty-seven unions on strike in Great Britain on the question of the right of the management to compel their own labour.

SIR LAMING WORTHINGTON-EVANS said that he had outlined above the principal points on which agreement had not been reached. There was also a small point in relation to the bonds which was worth mentioning. This was a question as to whether the bonds paid as compensation should bear interest. Otherwise, rather a ridiculous position would be reached under which compensation might be paid in the form of bonds which did not pay interest.

MR. LLOYD GEORGE said this was a question for the tribunal. If the interest on the bonds was postponed, the compensation would have to be greater.

M. BARTHOU said that under M. Seydoux's proposal the interest on the bonds would be payable at once.

*(The conference adjourned at 7.15 p.m.)*

*Hotel Miramare, Genoa, April 26, 1922.*

## APPENDIX I TO No. 97

### SECTION (A).

#### *Clause I.*

The reduction in the amount of the debt and the provisions for a moratorium hereafter referred to have been made after taking into account the losses of Russia during the war and the direct and indirect losses due to the civil commotion of the succeeding years and in the knowledge that owing to the lack of recuperative powers the economic and financial recovery of Russia must be inevitably delayed until her resources are developed.

#### *Inter-Governmental Debts.*

The Russian Government, on the one hand, and the other Governments, on the other hand, agree that the sum stated in the attached schedule shall cover all existing financial liabilities of the Russian Government upon each of the other Governments and of each of the other Governments upon the Russian Government, and shall extinguish all claims other than those comprised in the following articles.

Nevertheless, this clause shall not apply to claims on behalf of the nationals of other Powers on account of the action in Russia of the Russian Government, or to claims on behalf of Russian nationals on account of the action in other countries of the Governments of those countries.

<sup>6</sup> See No. 56, Appendix.

Balances standing to the credit of a former Russian Government in any bank situate in a country, the Government of which made advances to a former Russian Government, or assumed responsibility for any Russian Government loan floated in that country between the 1st August, 1914, and the 7th November, 1917, shall be transferred to the Government which made the advances, without prejudice to the rights of third parties. The liability of the Russian Soviet Government shall be *pro tanto* reduced.

(The schedule shall contain the war debts contracted between Governments, reduced by 50 per cent.)

#### *Debts of Governments to Foreign Nationals.*

##### *Clause II.*

All the Governments equally recognise their liability to meet the financial obligations of themselves and all their predecessors to foreign nationals. It is, however, agreed that all arrears of interest, and interest for the next five years, on debts owing by the Russian Government under clauses I and II shall be remitted, after which period interest shall be payable at 2 per cent. for five years and at 4 per cent. for the next five years, and thereafter at the contractual rate.

#### *Debts of Municipalities and Public Utility Undertakings.*

##### *Clause III.*

The Russian Soviet Government shall recognise or cause to be recognised the financial engagements entered into before this date by all authorities in Russia, provincial or local, or by public utility undertakings in Russia, with the nationals of other Powers.

#### *Private Property.*

##### *Clause IV.*

The Russian Soviet Government agrees to give to foreign nationals the option of resuming the use of their property in Russia on the basis of unconditional concessions for long periods, renewable at the end of each period, or for periods of the same duration as the leases in the case of property previously leased; provided, however, that in exceptional cases in which this is deemed to be impracticable by the commission to be established under clause VII, an option shall be given wherever possible on such other terms as may suit the circumstances.

It is further agreed that for damage done to the property in consequence of the action or negligence of the Soviet Government, according to the principles of international law compensation shall also be paid on the basis of assessment by the commission.

It is understood, however, that without prejudice to the rights defined in this clause, special arrangements may be made by the Russian Soviet Government with property owners to suit the circumstances of particular cases.

In cases in which the use of property is not resumed, compensation shall be paid to an amount allowed by the commission for its loss.

Russian financial, industrial and commercial companies, which on the 1st November, 1917, were controlled by nationals of other Powers, or in which at the same date such nationals possessed a substantial interest, shall, if the majority of the foreign interests (shareholders and bondholders) so desire, be covered by the term 'nationals of other Powers'.



### *Bonds.*

#### *Clause V.*

The amounts to be paid by the Soviet Government shall be satisfied in new 5 per cent. bonds, the interest on which will be payable in accordance with the provisions of clause II, paragraph 1. Any compensation due from other Governments to Russian nationals may also be paid in Russian bonds.

### *The Commission.*

#### *Clause VI.*

The commission to be established to carry out the duties referred to them by any of the previous articles shall consist of representatives of the Soviet Government and an equal number of members who are nationals of other Powers and an independent chairman chosen from outside by agreement.

The commission shall be authorised to work through the agency of mixed arbitral tribunals with independent chairmen.

### SECTION (B).

Clauses relating to administration of justice and other conditions.

### SECTION (C).

Political clauses, including treaties and conventions.

## APPENDIX II TO No. 97.

### *Sir Cecil Hurst's Formula.*

#### *Clause IV.*

In the case of debts and private property the R.S.F.S.R. will recognise the rights of previous owners in accordance with the general principles laid down in the Cannes resolutions.<sup>3</sup>

In cases where the previous owner is not enabled to resume the possession of the right which he previously enjoyed, he shall be entitled to compensation.

This compensation shall either take the form of a grant of the enjoyment of similar property, the nature and the amount of the property being agreed between the R.S.F.S.R. and the claimant, and the terms on which it is to be held being as near as may be equivalent to the rights formerly enjoyed by the owner. Failing such agreement, compensation shall be given to the former owner in bonds, the amount being fixed by the arbitral tribunal unless it is agreed between the claimants and the R.S.F.S.R.

In the award of compensation in respect of debts and private property, provision shall be made for the protection of claims which third parties possessed against the property.

*Genoa, April 26, 1922.*

I.C.P. 247E] *Notes of a Conversation between Mr. Lloyd George (who was accompanied by Sir Edward Grigg and Sir Maurice Hankey), M. Jaspar, and Signor Schanzer (who was accompanied by the Marquis Visconti Venosta and Signor Giannini), at the Villa d'Albertis, on Thursday, April 27, 1922, at 11.15 a.m.*

(The discussion took place in regard to the first draft of a memorandum to the Russians, which Mr. Lloyd George handed to M. Jaspar and Signor Schanzer (see Appendix).)

MR. LLOYD GEORGE, conversing with M. Jaspar before the arrival of Signor Schanzer, said at present we were handing Russia over to Germany. Some people said that the Germans could not get the capital, but, as a matter of fact, capital was cosmopolitan. It would go wherever there was profit to be obtained. If Germany said she could develop Russia, capital would pass from British and Belgian—and even from French—pockets through the medium of Germany for the development of Russia. In Great Britain capital was largely in the hands of Jews, who were international, and they would allow their capital to pass to Russia through Germany. If this happened and a Russo-German *bloc* was formed, Poland would crack like an egg. The Polish shell was very thin. It was impossible for the Western Powers to help them. Poland was close to the Baltic, but the Allies had not been able to get into the Baltic during the war. Russia and Germany together would form a vast and powerful organisation. That was what he was trying to impress upon everyone here, but he could not get them to listen, neither the French nor the Belgians. Dr. Benes was really frightened, and so was M. Skirmunt. The Russians were now saying they would have to get out of the Treaty of Riga,<sup>1</sup> which was a thoroughly bad treaty. He said that the British delegation had now prepared a new draft incorporating the tentative clauses of the previous evening.<sup>2</sup> They must not, however, appear to be giving away the property of their nationals. Instead of the original British proposal for a moratorium of five years and interest on a graduated scale thereafter, he now proposed that a tribunal should be set up composed half of representatives of the Soviet Government and half of representatives of the bondholders, with an independent chairman nominated either by the President of the League of Nations, the President of the International Court of Justice at The Hague, or the President of the Supreme Court of the United States of America.

(Signor Schanzer, Signor Giannini and the Marquis Visconti Venosta entered at this point.)

Mr. Lloyd George said he had been about to tell M. Jaspar that there were 1,200,000 bondholders, and M. Barthou could not go back and say they had lost their interest. He himself had proposed the constitution of a mixed tribunal with an independent chairman with a casting vote. This would decide on the facts as to what interest Russia could pay. Each State would put its

<sup>1</sup> See No. 82, n. 9.

<sup>2</sup> See No. 97.

case before the tribunal and the question would be decided judicially according to the facts. This would save M. Barthou from having to go back and say that he had given up interest. He would do the same in regard to the war debts. Great Britain would be prepared to wash out half, but if France was unwilling to do this he would propose to put the matter to a tribunal. M. Cattier had said to him the previous day that from a practical point of view the British plan was the best, although the French plan provided a better formula.

M. JASPAR said that M. Cattier had said that the French formula was better but it would realise nothing for the bondholders.

MR. LLOYD GEORGE said that the British plan gave the substance, though it was a bad formula; the French plan was a good formula, but gave nothing. This was rather typical of the British, who always preferred the substance.

M. JASPAR then read clause 5 of the French draft of the proposed memorandum to Russia, which Mr. Lloyd George had handed to him.

MR. LLOYD GEORGE said that the Soviet Government would never recognise the rights of the previous foreign owners as suggested in the draft, as it was contrary to their fundamental principles.

M. JASPAR said they might give bonds for compensation.

MR. LLOYD GEORGE said that the French had asked for bonds, not the British. He and his advisers considered bonds to be worth nothing. It would be impossible to put a political question to a tribunal to decide. For example, if, as M. Jaspar had suggested, they tried to oust workmen who had been put to manage their factories, a political question would be raised which would be beyond the competence of a commission. All the commission could say would be that if the workmen were to retain the factory such and such compensation must be paid. It was not the British who wanted bonds. The French had a passion for bonds. Their drawers were full of useless bonds in different categories which they had demanded from the Germans. He asked Signor Schanzer what line he thought the Russians would take.

SIGNOR SCHANZER said he had seen the Italian Socialist, Modigliani,<sup>3</sup> who said that the Russians were nervous and preoccupied, and thought it would be difficult to reach a result. He had asked Signor Giannini to see the Russians this morning.

SIGNOR GIANNINI said that the Russians were particularly afraid of receiving an ultimatum.

SIGNOR SCHANZER said that he had received a visit from the neutrals, who were preoccupied about the possibility of an ultimatum. He had told them that there was no question of an ultimatum, but that a document was under consideration for putting pressure on the Russians.

MR. LLOYD GEORGE said that M. Motta had come to see him that morning on the subject.<sup>4</sup> The neutrals were very anxious that there should not be a

<sup>3</sup> Giuseppe E. Modigliani, Member of the Italian Parliament and former member of the Directorate of the Italian Socialist Party.

<sup>4</sup> During their conversation on April 27, 1922 at 10.30 a.m. (S.G. 20, not printed), Mr. Lloyd George, at M. Motta's request, gave a résumé of the informal conversation between

break. On the other hand, he thought M. Barthou's view was that this document would be the final one.

SIGNOR SCHANZER said that the Russians were very afraid of the negotiations coming to an end.

M. JASPAR said it was certain that the Russians would wish to communicate again with Moscow.

SIGNOR SCHANZER handed in a document to be inserted in the first part of Mr. Lloyd George's draft.

MR. LLOYD GEORGE, in reply to Signor Schanzer, said he had not yet received the Belgian or the Japanese drafts.

M. JASPAR said the Belgian part was ready and he had asked M. Cattier to send it to the British delegation.

MR. LLOYD GEORGE said he thought it was essential to have the meeting of the Political Sub-Committee on the following afternoon. The neutrals by no means took the French view.

(M. Jaspar and Signor Schanzer agreed, and Signor Schanzer undertook to summon the meeting for the following morning at 11 A.M.)

SIGNOR SCHANZER asked that the following words might be omitted from line 3 of clause 8 of the draft, 'whether any, and, if so'.

MR. LLOYD GEORGE agreed.

M. JASPAR questioned the expediency of the draft proposals in the matter of property. He said this was a very difficult matter for the Belgians and that it was a very important matter of political principle not to make concessions in regard to the rights of property.

MR. LLOYD GEORGE said that Czechoslovakia had done the same as the Russians in nationalising land.<sup>5</sup> A question had been asked in the British Parliament on the subject and he had had to reply that the Government could not interfere. How was it possible to go to the Russians and say they must not do the same as Czechoslovakia. You could go to the Russians and say if they wanted credits they would not get them unless they paid reason-  
British, Belgian, French and Italian delegates on April 26, 1922 at 6 p.m. (see No. 97). The record of the discussion concerning the proposed non-aggression pact runs as follows:

'MR. LLOYD GEORGE said he proposed only a moral engagement. For example, Great Britain could not undertake to guarantee the frontiers of Poland.

'M. MOTTA said he was entirely of that opinion.

'MR. LLOYD GEORGE said that he thought the other Powers at Genoa would agree to some form of pact of guarantee. As regards the matter of the Russian debts and property, he believed that the French and Belgians would come into the scheme, but he thought they required a little pressure. Their difficulties were not at Genoa but at home. He thought it would be useful if the neutrals and the Little Entente could put a little pressure on them. He had no idea as to whether the Russians would accept the present proposals, but he was sure that they would not advance an inch beyond them. It was the furthest point to which they could go, if, indeed, they could go as far. If the conference broke down, then Europe would be in a welter. He would be willing to hand a rough draft of his ideas to M. Motta, but on the distinct understanding that he should not let it pass out of his own hands. He could show it to his neutral friends with whom he was in touch, but he begged him not to leave it with them. He would be very glad if M. Motta, after seeing any of his friends, would come back and see him, bringing them with him if necessary.'

<sup>5</sup> See No. 97, n. 5.

able compensation. As a matter of fact, however, two loans had already been given by Great Britain to Czechoslovakia notwithstanding her nationalisation of land.

M. JASPAR doubted whether the principle adopted in Czechoslovakia had been the same as in Russia.

MR. LLOYD GEORGE said it had been exactly the same principle.

M. JASPAR said that the answer in the British Parliament affected British nationals only, and now it was a question of a bargain with the Soviets.

MR. LLOYD GEORGE said it was impossible to ask people to bargain away their principles.

M. JASPAR again referred to the question of bonds for compensation.

MR. LLOYD GEORGE said he had not wanted bonds and M. Jaspar must go to the French delegation on that subject. What the British required was concessions, and so forth. It was no use trying to get blood out of a stone and bonds would be useless.

M. JASPAR said that the Russians would be asked to give up some part of their property. That was a question of principle for Belgium, who also had its principles.

(Sir Edward Grigg arrived at this point to say that M. Barthou was willing to agree to a meeting of the sub-committee at 11 o'clock, and thanked Mr. Lloyd George for the delay which had been accorded.)

SIGNOR SCHANZER said he supposed the agenda for the meeting would be the document in his hand.

SIR MAURICE HANKEY said this was only the first draft, and a second draft was already in course of preparation.

MR. LLOYD GEORGE said he would distribute copies before the meeting. He thought that the plan set forth in this document was the best way out of the political difficulties.

M. JASPAR indicated dissent.

MR. LLOYD GEORGE asked what else M. Jaspar could propose.

M. JASPAR suggested strict adherence to the Cannes resolutions.<sup>6</sup>

MR. LLOYD GEORGE said it would be impossible for the Russian Government to compel a great society of workmen to give up property of which they were in control. No Government could do it. Such a demand would never be made to the Czechoslovakians. If a complete agreement could not be reached, the only thing would be for as many to agree as possible.

M. JASPAR thought a formula might be found.

MR. LLOYD GEORGE said that as M. Cattier had remarked, the matter was harder from a point of view of formula than of fact.

M. JASPAR said that M. Cattier was a very practical business man and always wanted the substance.

MR. LLOYD GEORGE proposed that before the matter was brought up before the Political Committee for final settlement on the following day, a meeting should be held of the inviting Powers to try and settle a draft. He suggested this should take place at 5 P.M. to-day.<sup>7</sup>

<sup>6</sup> No. 6, Appendix.

<sup>7</sup> See No. 99, below.

SIGNOR SCHANZER and M. JASPAR agreed to this.

MR. LLOYD GEORGE undertook to communicate with M. Barthou and Baron Hayashi.

*Hotel Miramare, Genoa, April 27, 1922.*

## APPENDIX TO No. 98

### *Preamble.*

(First Draft.)

The representatives of the Powers assembled at the Genoa Conference have given earnest and sympathetic consideration to the problem of restoration in Russia and the re-establishment of peace throughout the European Continent. They are sincerely anxious that the terms of amity should be restored amongst all nations and that the Russian people should resume their historic place amongst the European Powers.

Russia in the past has been an important element in the economic system of Europe. Her exports in produce of many kinds, and her imports of commodities from other nations, have been the basis of a trade on which the livelihood of millions of working men and women depended. The elimination of Russia since the armistice has undoubtedly added to the economic troubles from which the world is suffering. Every year the world deficiency in food and raw material due to the failure of Russian supplies is being made up from other sources, but Europe has still much to gain from the restoration of the buying and producing power of the Russian nation.

In due course the gap would be supplied, so far as the rest of Europe is concerned, for trade, like water, finds new channels when the older channels are blocked. But in Russia itself privation, misery and famine would continue to spread, and these would constitute a plague spot of increasing menace in the European system. Such a fate for Russia and for Europe the Powers are deeply anxious to avert.

The Powers realise that Russian prosperity cannot revive without the assistance of the accumulating capital and industrial skill of the West, and they are ready to give this assistance immediately, in the most effective form, if such conditions can be established in Russia as to induce Western skill and capital to venture and enable it to operate.

Russia is a country of great possibilities. Its economic disaster has paralysed, but has not destroyed, its resources. If Russia and the Russian people are to recover, the resources of Russia must be developed. Her agriculture must be restored, her mines must be reopened, her factories must be set to work again. The nations of the West played a great part in the development of Russia. They will play that part again as soon as Russia establishes conditions which command their confidence. The needs of Russia are so manifold that they can only be met by bringing foreign manufacturers and traders again into the Russian market.

To-day Russia is urgently in need not only of food, clothing, medical supplies and other necessities of civilised existence, but also of locomotives, waggons, fertilisers, agricultural implements, tools, machinery and port appliances. If these goods are not supplied to Russia, her railway system will fall to pieces, her industries will rapidly become derelict and the yield from the land will steadily fall.

All these supplies can be furnished by the industrial countries of Europe, and

in these countries there are adequate stocks of the goods needed by Russia for the commencement of shipments.

As soon as the use of property in Russia has been restored to its former owners and debts are recognised, the export of these necessities will begin. Capital will flow into Russia the moment confidence begins to revive. And at the same time foreign enterprise and experience will be available for the reconstruction of Russia.

The British Government can hasten and aid this flow of trade. At first there may be an indisposition on the part of business men to turn their thoughts to Russia. But this can be overcome rapidly if Government support can be invoked at the start. Once a pioneer has broken ground he is rapidly followed, provided his way has been made easy and comparatively secure.

There are provisions in Great Britain for this purpose, and to these Russia would be given access if an agreement on the lines of the attached clauses were concluded. The provisions are as follows:—

The Government can guarantee under the Trade Facilities Act<sup>8</sup> the capital or interest required for capital undertakings overseas as well as at home. If the Soviet Government is prepared to take the steps needed to encourage enterprise, then this Act can be applied to schemes in Russia, and, if necessary, Parliament will be invited to increase the total amount to be made available.

In addition to the Trade Facilities Act, there is another scheme under which the export of British goods to foreign countries is financed or facilitated by the British Government.<sup>8</sup> Under this export credits scheme the British Government is authorised to expend or guarantee capital up to £26,000,000 to finance exports. Of the £26,000,000 only £11,000,000 has so far been pledged. In connection with the operations needed in Russia, large exports will be required, and to enable these exports to take place finance will be of considerable value. The British Government will be prepared to invite Parliament to extend the duration of this Act.

Moreover, the establishment of an international corporation<sup>9</sup> has been decided upon. This corporation is intended to have an initial capital in its various national companies of £20,000,000. Its aim is to finance reconstruction and development undertakings in Europe which would otherwise have difficulty in procuring the necessary funds. This sum may seem small in comparison with the magnitude of the work to be done, but it will be provided as capital through the national companies formed in the leading countries in Europe, and behind it stand the resources of all those countries from which specific operations approved by the international corporation can be financed.

The varied and pressing needs of the Russian people can be met at once from the factories of Europe, and the initial impulse can be given through the union of private enterprise with the State support afforded by these credit schemes.

The fullest interchange of commodities and satisfaction of the requirements of the Russian people will rapidly follow, provided only that capital and enterprise are assured of security and offered conditions under which they can fulfil their functions.

### *Conditions of Agreement.*

#### *Propaganda.*

##### *Clause I.*

In accordance with the terms of the Cannes resolution that all nations should undertake to refrain from propaganda subversive of order of the established

<sup>8</sup> See No. 81, n. 5.

<sup>9</sup> See No. 34, minutes 10 and 11.

political system in the territory of another State, the Soviet Government will not interfere in any way in the internal affairs, and will refrain from any action calculated to disturb the *status quo* in other States. It will also suppress all attempts in its territory to assist revolutionary movements in other States.

The Soviet Government will use all its influence to assist the restoration of peace in Asia Minor, and will adopt an attitude of strict neutrality between the belligerent parties.

#### *Debts and Claims.*

*Note.*—The proposals relating to the reduction of the debt owing by the Russian Government to other Governments and those relating to remission of interest on bonds and debts, and to a moratorium have been made in order that Russian losses during the war and the direct and indirect losses due to civil commotion during the succeeding years may be taken into account; it is realised that owing to the lack of recuperative powers the economic and financial recovery of Russia must inevitably be delayed until her resources are developed.

#### *Inter-Governmental Debts.*

##### *Clause II.*

The Soviet Government, on the one hand, and the other Governments, on the other hand, agree that specific sums to be fixed in respect of each country shall cover all existing financial liabilities of the Soviet Government upon each of the other Governments, and of each of the other Governments upon the Russian Government. The sums so fixed shall extinguish all claims other than those comprised in the following clauses.

Nevertheless, this clause shall not apply to claims on behalf of the nationals of other Powers on account of the action in Russia of the Russian Government, or to claims on behalf of Russian nationals on account of the action in other countries of the Governments of those countries.

Balances standing to the credit of a former Russian Government in any bank situate in a country of which the Government made advances to a former Russian Government, or assumed responsibility for any Russian Government loan floated in that country, between August 1, 1914, and November 7, 1917, shall, without prejudice to the rights of third parties, be transferred to the Government which made the advances. The liability of the Russian Soviet Government shall be *pro tanto* reduced.

#### *Debts of Governments to Foreign Nationals.*

##### *Clause III.*

The Soviet Government in accordance with the general principle admitted by all Governments recognizes its liability to meet the financial obligations of itself and its predecessors to foreign nationals.

#### *Debts of Municipalities and Public Utility Undertakings.*

##### *Clause IV.*

The Russian Soviet Government shall recognise or cause to be recognised the financial engagements entered into before this date with the nationals of other Powers by all authorities in Russia, provincial or local, or by public utility undertakings in Russia, unless provided at the time of entering into the engagement the territory in which the authority or undertakings was situated was not subject to the control of the Soviet Government or its predecessors.



### *Private Property and Debts.*

#### *Clause V.*

In order to encourage the resumption of the activities of foreign businesses in Russia, and to enable foreign countries to afford the assistance indicated in the preamble, and thereby to facilitate the restoration of Russia, the Soviet Government accepts the following arrangement with respect to private property and debts.

The rights of the previous foreign owner will be recognised in accordance with the general principles laid down in the Cannes resolution.

In cases where the previous owner is not enabled to resume the possession of the right which he previously enjoyed, he shall be entitled to compensation.

This compensation shall take the form of a grant of the enjoyment of similar property, the nature and the amount of the property being agreed between the Soviet Government and the claimant, and the terms on which it is to be held being as near as may be equivalent to the rights formerly enjoyed by the owner. Failing such agreement, compensation shall be given to the former owner in bonds, the amount being fixed by an arbitral tribunal unless it is agreed between the claimants and the Soviet Government.

In the award of compensation in respect of debts and private property, provision shall be made for the protection of claims which third parties possessed against the property.

Russian financial, industrial and commercial companies, which on the 1st November, 1917, were controlled by nationals of other Powers, or in which at the same date such nationals possessed a substantial interest, shall, if the majority of the foreign interests (shareholders and bondholders) so desire, be included in the term 'previous foreign owner'.

#### *Bonds.*

#### *Clause VI.*

The amounts to be paid by the Soviet Government shall be satisfied in new 5 per cent. bonds. Any compensation due from other Governments to Russian nationals may also be paid in Russian bonds.

#### *The Commission.*

#### *Clause VII.*

A commission consisting of                      representatives of the Soviet Government, and an equal number of representatives to be appointed jointly by the other Powers with an independent chairman shall be established to decide all questions of principle arising out of the foregoing clauses. The chairman shall be appointed either by the president of the Supreme Court of the United States, or by the president of the Permanent Court of International Justice, or by the Council of the League of Nations.

For the settlement of the amount of compensation to be paid in respect of individual claims, mixed arbitral tribunals may be appointed in respect of each country, one member to be appointed by the Soviet Government, one member to be appointed by the Government of the national concerned, and a chairman to be appointed by the chairman of the commission.

#### *Fixation of the Inter-Governmental Debts.*

#### *Clause VIII.*

For the purpose of fixing the sums in respect of each country as provided in clause 2, there shall be referred to arbitration the question whether any, and if so

what, reduction should be made in the amount of the debt owing by the Soviet Government in respect of loans made by other Governments during the war. The arbitration tribunal shall consist of (three) persons to be appointed either by the president of the Permanent Court of International Justice or by the Supreme Court of the United States. The decision of the tribunal shall be based upon the existing economic condition of Russia and her capacity to pay, bearing in mind the diminution of her resources in consequence of the damage and loss which she suffered during and since the war.

There shall also be referred to the arbitration of the same tribunal the question whether the existing financial condition of Russia justifies the remission of interest on bonds covered by clauses III, IV, V and VI, and if so, the amount of such remission and the period over which it should extend.

*Administration of Justice.*

*Clause IX.*

The administration of justice in Russia shall be provided for as set out in article 8 of the recommendations of the Allied experts.<sup>10</sup>

*Conditions of Residence and Trade in Russia.*

*Clause X.*

Foreigners shall be allowed to reside and trade in Russia in accordance with the provisions of articles 9-17 of the recommendations of the Allied experts.

<sup>10</sup> No. 56, Appendix.

**No. 99**

I.C.P. 247F] *Note of an Informal Meeting held at the Villa d'Albertis, Genoa, at 5 p.m. on April 27.*

**PRESENT:** *British Empire:* The Rt. Hon. D. Lloyd George, O.M., M.P., The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P., Sir Philip Lloyd-Greame, K.B.E., M.C., M.P.; **SECRETARIES AND EXPERTS:** Sir Cecil Hurst, Sir Sydney Chapman, Mr. E. F. Wise, Sir Maurice Hankey, G.C.B., Mr. Maxse.

*Italy:* Signor Schanzer; **SECRETARIES AND EXPERTS:** Signor Jung, Signor Giannini, The Marquis Visconti Venosta.

*Japan:* Viscount Ishii; **SECRETARY:** M. Ashida.

*The Meeting was held for the purpose of examining the Draft of a Note to the Russian Delegation. (Appendix)<sup>1</sup>*

*Draft Note to the Russian Delegation.*

**MR. LLOYD GEORGE** asked what Japan could do for the reconstruction of Russia.

**VISCOUNT ISHII** stated that Japan had a scheme somewhat similar to the British exports credits scheme.<sup>2</sup> The sum was very small, only 5,000,000 yen, but it was good enough to give some encouragement to Russia, and, at any

<sup>1</sup> Not reproduced (see No. 98, Appendix).

<sup>2</sup> See No. 81, n. 5.

rate, would show that Government money was available for trade with Russia.

SIR LAMING WORTHINGTON-EVANS stated that he had received a statement from the Belgian delegation stating that they were ready to provide the 20 per cent. of their share of the capital of the international corporation. There was also a special credit of 250,000,000 fr. available for assisting Belgian export trade. Russia could be included in the countries to which this scheme applied, and practically the whole sum was available. The Belgians further stated that Belgian nationals who had previously owned property in Russia were quite certain that, provided a satisfactory arrangement was come to with the Soviet Government whereby they could return to work their property under adequate guarantees, there was no doubt that the immense amount of new capital required to reconstruct those industries would be available.

SIGNOR SCHANZER explained that Italy was ready to take her share in the international corporation.<sup>3</sup>

### *Preamble.*

SIGNOR SCHANZER, referring to the preamble of the draft note to Russia (see Appendix),<sup>1</sup> said that it seemed to him that too much stress was laid upon the importance of Russian trade to Western Europe. He called particular attention to the sentence in the second paragraph, which read, 'her exports in produce of many kinds and her imports of commodities from other countries have been the basis of a trade on which the livelihood of millions of working men and women depend.' This might give a false impression to the Russians of Europe's dependence on them.

It was agreed that this phrase should be deleted.

SIR LAMING WORTHINGTON-EVANS called attention to the fact that the preamble was too long to be conveniently reproduced *in extenso* in the press.

MR. LLOYD GEORGE pointed out that this was a very important document, and that we really could not pay attention to what suited the press in such a matter.

SIGNOR SCHANZER then called attention to the paragraph in the draft which stated that supplies of Russian requirements could be furnished by the industrial countries of Europe, and went on to say 'and in these countries there are adequate stocks of the goods needed by Russia for the commencement of shipments'. He pointed out that this looked rather as if we were unloading stuff which we could not otherwise dispose of on to Russia.

It was agreed to drop this last phrase.

SIGNOR SCHANZER then suggested that, in the statements of what Western Europe was willing to do for Russia, the International Corporation should come before the statement of what individual countries were prepared to do.

SIR LAMING WORTHINGTON-EVANS pointed out that when the draft was complete there would not only be what Great Britain was prepared to do, but also what all the other countries were prepared to do. In these

<sup>3</sup> See No. 34, minutes 10 and 11.

circumstances, he thought that it would be best to take the individual countries first and then the International Corporation, which linked them together with all the other countries.

It was agreed to insert the Belgian, Italian and Japanese possibilities of assistance before the mention of the International Corporation.

*Clause 1.*

SIGNOR SCHANZER suggested that the phrase 'calculated to disturb the *status quo*' in connection with propaganda was somewhat loose, and it might be difficult to bring home any breach of this clause to the Soviet Government.

It was agreed that this sentence should read, 'will refrain from any action which might disturb the *status quo*.'

*Clause 2.*

At the request of Mr. Lloyd George,

VISCOUNT ISHII explained that he had to make a general reservation on this question, as he had not yet had time to discuss the full import of the clause with his experts.

MR. LLOYD GEORGE then explained that the idea which underlay the clause was that, instead of agreeing among ourselves as to the figure by which the inter-Governmental debts should be reduced, it should be left to a commission on which Russians and other Powers should be equally represented, with an independent chairman, and that that body should also settle details regarding the moratorium and the reduction of interest, &c. He pointed out that we had not really sufficient information at the present time to estimate what the future possibilities of payment in Russia would be, and that this body would by the time it was set up and during its deliberations be in possession of a great deal more information and be able to come to a better decision. Moreover, it was very difficult to give away our war debts completely. It was much easier to go to Parliament and say that we had left it to a mixed commission under independent chairmanship to decide what was just in the matter of inter-Governmental debts. And, again, M. Barthou had no less than 1,200,000 people in his country who actually held Russian bonds, and his position would be very difficult if he had to return to Paris and tell these people that he had agreed that they should have no interest for some time, and that when they did get it it would be very little. It would be much easier for him to say that we all know Russia cannot pay at present and we have left it to an independent tribunal to decide when Russia will be able to commence the payment of interest and how much interest she can then pay.

SIR LAMING WORTHINGTON-EVANS explained that the scheme as now drafted contained two separate bodies. First of all, there was the Mixed Commission, under independent chairmanship, which would settle all questions relating to private property and debts as set out in clause 5. This body would be composed of an equal number of Russians and other Powers, under the presidency of a chairman nominated either by the President of the

Supreme Court of the United States, or by the President of the Permanent Court of International Justice, or by the Council of the League of Nations (*vide* clause 7). There was also the Court of Arbitration which would be appointed, composed of three persons appointed either by the President of the Court of International Justice, or by the President of the Supreme Court of the United States, who would decide the payment to be made on account of inter-Governmental debt and the length of the moratorium and details of the resumption of interest.

Some discussion ensued as to the method of appointing the chairman.

MR. LLOYD GEORGE suggested that it might also be possible to have a court of arbitration composed of one person nominated by each of the three parties, the Court of Justice, the Council of the League and the Supreme Court of the United States.

SIR CECIL HURST pointed out, however, that it was important that this court should be nominated by one person or body in order that the composition might be perfectly balanced, e.g., that the court should be composed of legal, financial and economic members.

It was agreed that the clause should remain as drafted, except that the Council of the League should be added to the bodies who might appoint the Court of Arbitration under clause 8.

SIGNOR SCHANZER pointed out that as drafted the clauses, and, in particular, clause 8, did not state definitely what we were prepared to do for Russia. He referred to the fact that we had already accepted a reduction of war debt and a remission of interest, but as drafted this seemed rather to be left open.

SIR LAMING WORTHINGTON-EVANS called attention to the last paragraph of clause 8, which gave very wide powers to the Court of Arbitration to take into account all the troubles from which Russia was suffering.

MR. LLOYD GEORGE referred to Parliamentary procedure in England, where drafting had been brought to a high art, and where it was necessary for a highly specialised lawyer to interpret the most simple Act of Parliament. He thought that this draft rather suffered from the same difficulty. When you came to clause 2, you had to go on to clause 8 in order to understand it. He thought that this document should be plain and simple and that each clause should be self-contained, so that the Russians or anybody else could see quite clearly what was being done in any particular branch of the subject under discussion.

It was agreed that the clause should be redrafted on these lines.

VISCOUNT ISHII suggested that in reality all that Russia needed was a moratorium and not a reduction of her liabilities. Since the latent wealth of Russia was so great that when she got going she would be very rich, she could easily afford to pay off her debts to countries which would then be less rich than she. He pointed out that such a reduction of debt would be very difficult to defend in Parliament, whereas the necessity of a moratorium was absolutely obvious.

MR. LLOYD GEORGE pointed out that this reduction only affected Government debts, which in the case of Japan amounted to £5,000,000 sterling

against the £35,000,000 sterling of claims of Japanese nationals. He went on to explain that this had really been inserted on account of the Russian counter-claims, which could not be admitted directly, but against which, in order to reach a practical solution, some set-off must be made.

VISCOUNT ISHII said that he did not intend to press his point; he had merely made a suggestion.

Some discussion followed as to whether it would be possible to specify the nationalities of the members of the Court of Arbitration.

SIR LAMING WORTHINGTON-EVANS pointed out that if the Russians were given the right for one member to be Russian he would be merely an advocate of the Russian cause, and the court might then in the end give one man's judgement after having heard two advocates, whereas, if nothing was said about nationality, men of European reputation would be chosen and the verdict would be considered the judgement of three eminent men.

After some discussion, at the motion of VISCOUNT ISHII it was agreed to drop the words 'both direct and indirect' when referring to Russian losses due to civil commotion.

#### *Clause 5.*

SIR LAMING WORTHINGTON-EVANS stated that this clause had been very carefully redrafted, and he thought it met, as far as possible, the various objections.

MR. LLOYD GEORGE pointed out that the crux of the situation was paragraph 2, which read, 'the rights of the previous foreign owner must be recognised in accordance with the general principles laid down in the Cannes resolutions'.<sup>4</sup> He would have preferred to have put it the other way round and to have stated that the general principles laid down in the Cannes resolutions in respect of private property owned by foreign nationals must be recognised. He pointed out that this covered both the Cannes resolutions Nos. 1 and 3. It was not possible to take the Cannes resolutions separately and accept what you liked and reject what you disliked. Clause 1 gave Russia the right to her own system of ownership and we could not exclude it.

SIGNOR SCHANZER wondered whether it was really necessary to make any specific reference as the acceptance of the principle so implicitly in the succeeding paragraph [*sic*].

MR. LLOYD GEORGE pointed out that the French and Belgians would insist upon some specific reference being made.

Mr. Lloyd George then pointed out that in paragraph 3 the commission was practically given internal political power in Russia, in that it could decide whether or not the Soviet Government should return property to its previous owners. He pointed out that you cannot say to Russia, 'You must restore property' if they chose to nationalise it; what we could say was, 'Either you restore property or else you compensate.'

SIR PHILIP LLOYD-GREAME said that the clause did not challenge the Soviet Government's rights in this matter, but since they were not in a

<sup>4</sup> See No. 6, Appendix.

position to pay practical compensation it was essential that, wherever possible, they should return the property.

MR. LLOYD GEORGE then recalled the Czechoslovakian,<sup>5</sup> the Roumanian<sup>6</sup> and the United States<sup>7</sup> precedents, in all of which three countries there had recently been what practically amounted to expropriation of certain rights and property of foreigners without any compensation. He pointed out that you could not leave the decision of internal questions to a foreign body; nor could you ask the Russian delegation to do what it was obvious that they could not do.

SIR LAMING WORTHINGTON-EVANS pointed out that unless some such clause was put in, the Russians would be free to restore or not, as they chose, and to sell any property of a former owner to anyone else who would buy it.

SIR PHILIP LLOYD-GREAME pointed out that what was provided for was fundamentally an agreement between the Soviet Government and the former owner that disputed points should be referred to arbitration. It was not an infringement of Russia's sovereign rights, and, indeed, the Russians had themselves agreed in some of the draft contra[c]ts which had been discussed with different British firms that disputed points should be so referred.

SIGNOR SCHANZER pointed out that this point was very important for the French and Belgians, who would doubtless insist on its being retained.

It was agreed that the clause should stand as drafted.

#### *Clause 3.*

VISCOUNT ISHII raised the question of the Japanese loan which had originally been subscribed for by Japanese nationals and taken over by the Japanese Government. He questioned whether that was covered under clause 3.

It was agreed that an insertion should be made in the clause to make it quite clear that this was covered.

#### *Clause 4.*

VISCOUNT ISHII raised the question of Government loans to public utility undertakings. He pointed out that the Japanese and American, and, he thought, the British Governments had made certain advances to the Siberian Railway some two or three years ago.<sup>8</sup>

In reply to a question by Sir Maurice Hankey, he stated that the loan in question had been devoted to the Chinese Eastern Railway.

It was agreed that this was a totally separate subject, which would have to be considered by itself and could not well form part of the Russian debt clauses.

<sup>5</sup> See No. 97, n. 5.

<sup>6</sup> Ibid. n. 4.

<sup>7</sup> Presumably a reference to the nationalisation of the railways in the United States between 1917 and 1920.

<sup>8</sup> For the Allied financial assistance to the Trans-Siberian Railway in 1919, see *F.R.U.S.* 1919, *Russia*, pp. 260-72, *passim*.

### *Position of Allied Soviet Republics.*

Some discussion then followed as to the exact status of the Far Eastern Republic<sup>9</sup> in relation to the present agreement.

SIGNOR SCHANZER pointed out that the Cannes resolutions had defined the Genoa Conference as being limited to Europe, and perhaps it would be best merely to consider European Russia only as being represented here.

MR. LLOYD GEORGE suggested that it would be best, if possible, to clear up the situation once and for all, unless Japan had any very special views of her own with regard to the Far Eastern Republic.

VISCOUNT ISHII said that he was quite willing to see the situation cleared up in its entirety. Japan had only negotiated with the Chita Republic in order to enable her to withdraw her troops.

SIR CECIL HURST explained what had happened on the commission for the verification of full powers,<sup>10</sup> namely, that the Moscow delegates had received mandates from eight allied Soviet republics to carry out negotiations on their behalf. He also pointed out that in regard to Georgia<sup>11</sup> and Azerbaijan,<sup>12</sup> which had been recognised *de jure* by the Allied Governments at an earlier period, the remains of these Governments were sitting in Paris hotels claiming to be the legitimate Governments, whereas now there were actually *de facto* Governments in close alliance with Moscow in these territories.

It was agreed that it would be better to clear up the situation once and for all and make such agreements as were arrived at applicable to as large a part of the former Russian Empire now under Soviet control as possible.

### *Clause 8.*

SIGNOR SCHANZER suggested that paragraph 2, which read, 'whether the existing economic conditions or Russia required the remission of interest, &c.,' should be changed to, 'to what extent the existing economic conditions of Russia required the remission of interest'.

SIR LAMING WORTHINGTON-EVANS pointed out that the French and Belgians might raise objections, although he personally was in agreement with the suggestion.

It was agreed that this alteration should be made in the draft to be submitted to the First Sub-Commission to-morrow.

### *Recognition.*

Some discussion ensued as to what should be done in the matter of *de jure* recognition which had been included in the forefront of the Russian demands, but about which the preamble was at present silent.

MR. LLOYD GEORGE thought that something might be inserted on the lines of his speech in the House of Commons,<sup>13</sup> namely, that complete recognition,

<sup>9</sup> See No. 89, n. 9.

<sup>10</sup> See No. 67, n. 10.

<sup>11</sup> See No. 82, n. 12.

<sup>12</sup> The Allies had given *de facto* recognition to Azerbaijan on January 10, 1920 (see Vol. II, pp. 796-7). At an Allied Conference in Paris on January 26, 1921 (see Vol. XV, No. 6), it was decided not to extend *de jure* recognition. Cf. No. 19, minute 2.

<sup>13</sup> See No. 67, n. 5.



so far as the legal position was concerned, should be granted, but that 'full diplomatic ceremonial recognition' should be withheld until it was seen how the Soviet Government behaved.

*(The meeting then adjourned.)*

*Hotel Miramare, Genoa, April 27, 1922.*

## No. 100

P.C.S. 3] *Meeting of Members of the Sub-Commission of the First Commission held on April 28, 1922, at 4 p.m., in the Palazzo Reale at Genoa.*

**PRESENT:** *President:* Signor Schanzer.

*Belgium:* M. Jaspar.

*British Empire:* The Rt. Hon. D. Lloyd George, O.M., M.P.

*France:* M. Barthou.

*Italy:* Signor Schanzer.

*Japan:* Viscount Ishii.

*Poland:* M. Skirmunt.

*Roumania:* M. Bratiano.

*Sweden:* M. Branting.

*Switzerland:* M. Motta.

The sitting opened at 4.10 P.M.

THE PRESIDENT, before passing to the agenda, called upon M. Barthou, who wished to make a personal statement.

M. BARTHOU mentioned that the rumour was being spread that he was about to leave Genoa and definitely abandon the work of the conference. The first statement might possibly be correct, but the second was absolutely contrary to the truth. If the work of the conference enabled him to do so, he would go to Paris, but his absence would be short, and in the meanwhile the French delegation would remain at Genoa, and would continue to take part in the work of the conference.

THE PRESIDENT thanked M. Barthou for his explanation. It was in reality unnecessary, for all the members of the conference had been able to appreciate the loyalty with which M. Barthou had collaborated in its labours. It was, however, good to give an immediate refutation of the inaccurate rumours which might have been circulated.

MR. LLOYD GEORGE remarked that it was the second occasion on which the head of the French delegation in the course of the conference had considered it his duty to leave his colleagues in the midst of their labours.<sup>1</sup> That attitude had had disastrous consequences on the occasion of the former conference,

<sup>1</sup> A reference to M. Briand's departure from the Cannes Conference (see No. 23, n. 3 and No. 24). In his telegram No. 113 of April 28 to Lord Curzon, Mr. Gregory stated: 'In private conversation after the meeting, Monsieur Barthou said he would not go to Paris until memorandum was settled and added that going to Paris for two days would probably assist materially in securing a satisfactory conclusion to conference.'

which had been compelled to separate without having settled any of the problems which had been submitted to it. He himself warmly agreed with everything the president had said with regard to M. Barthou. He had already expressed on numerous occasions his profound esteem for the loyalty with which M. Barthou had collaborated in the labours of his colleagues, but he could not be blind to the seriousness of the fact that the chief delegate of a great Power like France should consider it necessary to leave Genoa in the middle of the conference. It was true, continued Mr. Lloyd George, that M. Barthou had announced that the other delegates of France would remain at Genoa, but they could not, of course, take upon them[selves] the responsibility of important decisions. Delay in the work of the conference would therefore be unavoidable. Every delegate would like to be able to go away to his capital and attend to the internal political affairs of his country; but if each of them acted in that way in turn it would be very difficult for the conference to come to any decision. He therefore sincerely hoped that M. Barthou would not consider it necessary to leave Genoa.

M. BARTHOU highly appreciated the kind words of the president and of Mr. Lloyd George. If he were compelled to go to Paris, it would not be for pleasure. He would do nothing calculated to interrupt the conference. He had merely wished to mention the possibility of that journey in order loyally to refute any wrong interpretation of that journey if it took place. Moreover, the sitting which was beginning would settle the question of his journey; he would only leave Genoa if it was absolutely necessary, and he would be well satisfied to act in accordance with the very wise exhortation which Mr. Lloyd George had just addressed to him.

THE PRESIDENT then thought it well to summarise as follows the last stage of their labours with regard to the Russian question. At the second sitting of the sub-commission on the 21st April,<sup>2</sup> a letter had been communicated to the members in which M. Chicherin gave his reply to the note of the 15th April (I.C.P. 244).<sup>3</sup> M. Chicherin's note was considered to offer a possible basis for the discussion. It was decided to submit it for examination to a committee of experts, as well as the clauses of the London report concerning Russia. The experts held several meetings under the chairmanship of Sir Laming Worthington-Evans.<sup>4</sup> On the 24th April (see P.C.S.E. 4),<sup>5</sup> they received from M. Rakowsky a document which summarised the point of view of the Russian delegation with regard to the seven first articles of the London report, that is to say, the clauses relating to the liquidation of the past. It appeared to the experts that[as] that document could not be accepted,<sup>6</sup> it therefore seemed necessary to send to the Russian delegation a note which would lay down on the one hand the minimum demands of the creditor Governments, and on the other hand the concessions and the advantages which those Governments were willing to grant to Russia for her reconstruction. By thus showing the intention of the Powers to endeavour to bring Russia

<sup>2</sup> See No. 83.

<sup>4</sup> See, for example, Nos. 87 and 90.

<sup>5</sup> See No. 91.

<sup>3</sup> See No. 74, Appendix.

<sup>6</sup> See No. 92.

back into the economy of Europe, they would convince public opinion that they sincerely desired to come to an agreement with that State.

An English draft and a French draft had just been laid before the delegates. (Annexes I and II.)

THE PRESIDENT declared on behalf of the Italian delegation with regard to that matter that it was most necessary, especially since the Rapallo Agreement,<sup>7</sup> to come to an understanding with the Russian delegation, in order to avoid separate arrangements being made, and in order to bring Russia back within the economic system of Europe. In any case it was essential that the note which was handed to the Russians should be very clearly worded, and should explain exactly the position of the Powers in order that, if they did not arrive at an agreement, the public opinion of the world might clearly grasp the responsibilities of each of them. With regard to the method of discussion, the president considered that it would be best to examine one of the drafts, the British draft for example, and to discuss it point by point, unless a general discussion to begin with appeared necessary. He added that, if the British draft and the French draft were compared, the greater part of them would be found to be similar. They only differed on three points:—

1. Whereas the British draft expressly provided for the reduction of war debts, the French draft did not refer to that, and since it formally rejected the counter-demands put forward by Russia, it only agreed to a moratorium by way of concession, and not by way of compensation. On that point the French draft in the president's opinion took a step backward in relation to the position in the note of the 15th April.
2. The British draft provided for the immediate appointment of a commission which would determine the conditions of the moratorium as they also were laid down in the document of the 15th April. The French draft, on the other hand, provided for the undertaking of negotiations between the holders of securities and the Soviet Government; it would not be until after these negotiations that the conditions of the moratorium would be determined.
3. A very noticeable difference existed with regard to the mode of restitution of the nationalised property.

MR. LLOYD GEORGE asked for a general discussion to begin with.

M. BARTHOU, while agreeing with the president that they should come to a decision as quickly as possible, supported Mr. Lloyd George's proposal that a general discussion should take place first. He desired, however, before anything else, to comment upon certain remarks of the president. The president had spoken in succession of the note of the 15th April, and of the British draft; he had expressed the opinion that the French draft constituted a step backward in relation to the note of the 15th April. M. Barthou considered it essential not to forget that that note had been followed by two serious facts. On the one hand, the treaty between Germany and Russia had entirely altered the situation which had previously existed. The French Government

<sup>7</sup> See No. 75, n. 1.

and the French delegation were of opinion that the conclusion of that agreement had given back complete liberty to them, and that France was no longer bound by the conditions communicated to the Russian delegation on the 15th April. On the other hand, M. Rakowsky had made declarations on the 24th April before the Economic [*sic*] Commission [of experts] which were equivalent to the negation of everything which had previously been decided. M. Barthou did not wish for the moment to discuss the three points raised by the president; he would undertake that discussion when he examined the various articles of the British draft. The method which he proposed to adopt consisted in considering first of all the two preambles—English and French—and entering upon a general discussion with regard to those texts. There were, moreover, great resemblances between them. Both started from the conception that they should not limit themselves to enumerating the concessions which were required from the Russian Government, but that they should also indicate the means by which it was proposed to render possible the restoration of Russia and her return to normal conditions. With that object in view the French preamble pointed out in the clearest possible way the means of improving the situation of Russia both to her advantage and to the advantage of Europe. He considered on the other hand that the moment had not yet come to enter on the discussion in detail of the articles of the draft. If the delegates agreed to the mode of discussion which he suggested, the French preamble, which was divided into a series of quite separate paragraphs, could be read at once. The only way in which the French delegation could approach the general discussion was, if not to read, at least to analyse that preamble, and to examine it in relation to the British preamble. He had received a copy of the British draft thirty-six hours before; and he had thought that he could begin the examination of it at 11 o'clock on the following day. He had informed Mr. Lloyd George accordingly. The French delegation, however, after carefully studying the document which had been laid before them, had realised its importance, and had felt how delicate the task was which they had in front of them. They had requested a postponement of the discussion until 4 o'clock. M. Barthou willingly admitted the great help which the British draft had given to the French delegation; it had, indeed, furnished the frame-work of the draft which it was their task to prepare.

MR. LLOYD GEORGE shared M. Barthou's opinion as to the procedure which they should adopt. With regard to the French draft, the British delegation was not in a position to give its considered opinion, since the translation of the document had only been received an hour before the meeting. He would therefore refrain from analysing in detail the contents of that draft. That would not, however, in his opinion, prevent their proceeding at once to a general consideration of the principles of that document. He would begin by making one or two general observations. It was the spirit in which they approached the consideration of those two documents which was chiefly important. Did they, or did they not, sincerely desire to come to an agreement with Russia? The attitude which they would adopt with regard to the proposals set forth in the one draft or the other depended upon the answer to

that question. That meant that if they wished to arrive at an agreement they would emphasise the importance of the concessions to be granted, they would express in a less hostile way the points which were not advantageous for Russia, and they would not lay stress upon unimportant points which were only inserted in order to satisfy certain shades of opinion in the different countries without giving them any kind of material advantage. The British delegation would approach the consideration of those documents with the conviction that it was of capital importance to the interests of Europe to conclude an agreement with Russia. If negotiations were broken off, the British delegation wished the responsibility to fall on the shoulders of others rather than on theirs. They did not wish any country to be able later on to reproach them with not having used every effort to arrive at an agreement when the opportunity presented itself. He (Mr. Lloyd George) considered it of the greatest importance that the Powers should not withdraw any of the promises which they had made to Russia. One of the accusations most frequently levelled against the Soviets was that they could not be trusted; they undertook an obligation to-day, it was said, to repudiate it to-morrow. It was for that reason essential not to give them an example of such a method of procedure. He therefore deplored the declarations made by M. Barthou, which were equivalent to abandoning the position he had taken on the 15th April. After two or three days' discussion, the Powers had solemnly handed to M. Chicherin a document, and they had informed him that the acceptance of the conditions set forth therein were the *sine qua non* of the continuation of the negotiations. Among those conditions was the offer to reduce the debt and to remit the interest. M. Barthou had abandoned that position now that the Soviets had asked for a reply from their Government and had received it. What was the reason for that attitude? That the Soviets had concluded an agreement with Germany. Mr. Lloyd George did not wish to discuss the question whether that reason was valid or not, although in his opinion it was not. What he would point out was that the delegations represented on the sub-commission had met the Soviets after the publication of the agreement between Germany and Russia, and after the most formal protest against that agreement. If as a result of that act the Powers had decided to withdraw certain of their concessions, they ought then to have informed the Soviets accordingly. Nothing of that sort was done. It was the first time that he had heard of a breach of faith being justified on the pretext that the Soviets seemed not to have kept their word. The adoption of such a principle would be fatal to international relations. He concluded that, since the note of the 15th April had been formulated with the guarantee of the word of France, England and two other nations, and since that document had been unanimously accepted by all those who had taken part in the negotiations, it was impossible to withdraw any of the concessions already granted. Moreover, when the Cannes resolutions<sup>8</sup> were referred to, everyone was inclined to speak of the resolutions which suited him and to ignore those which did not. He observed that there was a tendency to believe that, if they admitted

<sup>8</sup> See No. 6, Appendix.

the proceedings of the Soviets with regard to the nationalisation of property, they might appear in some way to be ready to admit the nationalisation of property in their own countries. That was not the case. Russia was not the only country which had nationalised property. He fancied there were Allied countries which had also done so; the British Government was constantly receiving protests from its nationals, whose property had been confiscated in the countries of Central Europe without the payment of adequate compensation. The British Government had always held the opinion that it could not deal with such claims unless the measures complained of had been measures of exception. That attitude was in conformity with the first Cannes resolution, which provided that nations could not claim to dictate to each other rules concerning the principles in accordance with which they should regulate their system of property, of internal economy and of government. If Governments wished the Soviets to recognise the Cannes resolutions, they must not in his opinion give them the bad example of repudiating part of them and only taking into consideration, according to the cases which arose, particular principles which were laid down there. He reminded them that the conference had at the beginning put the question whether they accepted the Cannes resolutions not only to the Soviets, but to all the States represented at Genoa. It was understood that the whole body of those resolutions was meant. Those who were not willing to accept them in their entirety ought not to take part in the deliberations.

He went on to consider the question of the preamble of the French text. He expressed the opinion that it was essential, if they wished to conclude an agreement with Russia, that they should tell the Russian delegation exactly what could be put at its disposition. The French text was very eloquent, but it appeared to him to be confined to general statements. The British draft, on the other hand, was very simple, but it sought to explain in detail the nature and the value of the assistance which it was proposed to give to Russia, and that was the essential matter for that country. The French text, he continued, only contained three or four lines with regard to the credits to be granted to Russia, whereas several pages were devoted to describing the terrible condition to which the Bolshevik system had reduced Russia. It was perhaps a very useful means of propaganda abroad, but it was quite useless for achieving the object of inducing the Soviets to accept the conditions which were proposed to them. He quite accepted the principle that every one should contribute in the proportion which he considered desirable to the reconstruction of Russia, but he thought that the memorandum should expressly indicate the credits which each country was disposed to offer. These were the definite suggestions which he made with regard to the preamble.

M. BARTHOU did not wish to prolong the discussion. From the beginning of the conference he had shown that his only desire was to achieve practical results. With this object he had continually given evidence of the most conciliatory spirit, both during the first meetings of the conference and during the semi-official conversations with the Russian delegation. Mr. Lloyd George

could not have forgotten that France was entitled to refuse to make concessions asked of her, but she had done nothing of the kind. On this occasion the French delegation had shown itself to be animated by the greatest goodwill. But with regard to the note of the 15th April, M. Barthou wished to emphasise the fact that the meetings at which that note was drawn up were semi-official meetings<sup>9</sup> at which certain members only of the First Commission were present, and which could only submit proposals to that commission. Otherwise, such a meeting as the present one would have no meaning. Further, the conclusion of the Russo-German agreement was a fact the gravity of which it was unnecessary to emphasise, and which had entirely altered the situation. M. Barthou did not wish to harp on the Cannes resolutions. One article of those resolutions, however, which was quite definite, ran as follows: 'If, in order to secure the conditions necessary for the development of trade in Russia, the Russian Government demands official recognition, the Allied Powers will be prepared to accord such recognition only if the Russian Government accepts the foregoing stipulations.' Those stipulations were contained in paragraphs 1, 2, 3, 4, 5 and 6 of those resolutions. The note of the 24th April, however, stated: 'On condition that immediate and adequate financial assistance be given to Russia and that the Russian Soviet Government be given *de jure* recognition, it is agreed that. . . .' Thus Russia would only agree to maintain her proposals on condition that she was first recognised *de jure* and assured of financial assistance. While the creditor Governments had declared that recognition would be given after the fulfilment of the conditions laid down, the Russian delegation reversed the terms and made all its proposals subject to the fulfilment of the conditions laid down by itself. With regard to the question of debts, there was no doubt that the president had unintentionally described the French point of view incorrectly. Article 2 of the French draft read: 'The creditor Powers are prepared to grant extensive facilities for payment and to consider with the Government a moratorium.' But the president had not taken into account the end of the sentence dealing with 'other appropriate measures'. Those appropriate measures might, if the Parliaments and Governments agreed, include not only permission for the Russians to discharge their obligations in kind, but also the reduction of debts. When article 2 was discussed, the French delegation would be prepared to discuss what should be proposed to the Russians and what required of them. In conclusion, he said that they should begin to discuss the British and French drafts without further delay. The best method was to examine them, article by article. M. Barthou proposed that the meeting should immediately proceed to do so.

THE PRESIDENT said that he did not think he had made the mistake attributed to him by M. Barthou. In the note of the 15th April it was clearly laid down (1) that the capital of war debts would be reduced; (2) that the creditor Governments were prepared to consider not only a moratorium, but also the reduction of interest and the cancelling of part of the arrears

<sup>9</sup> See No. 72, No. 73, n. 2, and No. 74.

already due. The French draft only spoke of facilities for payment and of 'other appropriate measures'. It was difficult to imagine that, in these words, the French delegation had included the abandonment of interest and the reduction of debts. If the French delegation actually had this idea, it could easily indicate it in the course of the discussion.

The President then called on M. Skirmunt, who had asked to be allowed to speak. Subsequently M. Motta would address the meeting.

M. SKIRMUNT said that he had listened with much interest to the discussion which had taken place between Mr. Lloyd George and M. Barthou. He had thought that there was only a single draft and he was sorry that that was not so. He had read neither of the drafts and therefore not being prepared for discussion, proposed the adjournment until the following day.

M. MOTTA apologised for intervening in the interesting dialogue between two such eminent men as Mr. Lloyd George and M. Barthou. He ventured, however, to support M. Skirmunt's proposal in the interests of the efficiency of the work. M. Motta had been fortunate enough to see the two drafts before the meeting, but this was not true of the majority of the other delegations. In general, he thought it would be desirable, when a delegation wished to make an important proposal, that it should transmit it to the president of the conference, or the secretary-general, who would undertake to distribute it to each delegation in time for consideration. Otherwise, it was impossible for most of the delegations to give a really considered opinion on the value of drafts submitted to them, as, for example, those of the French and British delegations submitted to-day, which they had hardly seen. But, having said this, the speaker added that he was certain that all members of the Genoa Conference were heartily desirous of its success. Switzerland, in particular, strongly desired this. Everyone must therefore make an effort to understand the point of view of others. In the present case, although it was very difficult to form an opinion immediately regarding the British and French draft preamble, M. Motta thought that the two points of view were much less dissimilar than they appeared, especially in regard to the clauses on restitution of property. With regard to war debts, Switzerland was not concerned in the question, and had no opinion to express. As there was no very great difference between the two points of view put before them, he thought it desirable to summon a meeting of experts to arrive, by mutual agreement, at a single text. The vital thing was to come to an understanding. Peace and the restoration of Europe were involved.

THE PRESIDENT pointed out that it had been impossible to have the British and French drafts distributed, as the former had only reached him at 10 A.M. and the latter at 3.30 P.M. In any case, as the work of the conference must be pushed forward, the president was unable to agree to the proposal for adjournment which had been put forward. There was certainly not a great divergence between the two texts before the committee. He thought it was desirable to read them then and there so that the delegates might have a general impression. That was all the more desirable in that the divergences between the texts were essentially political, and could not therefore be



resolved by experts. It would be easier to draft a single text if the two drafts proposed were read.

The delegates agreed with the president's suggestion, and the two draft preambles were read. The president then asked the delegates to state their opinions.

MR. LLOYD GEORGE wished particularly to emphasise the fact that his criticisms of the French draft were directed against the essence of that document. He considered that the essential thing was to inform the Soviets what credits they were ready to grant them. It was useless to say to them: 'You are in need of agricultural machinery and food'. What they wanted to know was what credits would be granted to them in order to enable them to restore their agriculture, to reorganise their transport system and to obtain food-stuffs. For that reason it was essential to tell the Soviets definitely what each country could give them. The British draft, unlike the French draft, gave very exact indications, which he proceeded to enumerate. The sum which the different countries declared that they were ready eventually to offer to Russia amounted to 4,000,000,000 fr. He added that Great Britain was prepared to increase the amount of capital which she was willing to put at the disposal of Russia, if it were shown to be insufficient for the real needs of that country. There were also certain phrases in the French version relating to the needs of Russia which were useless and irritating; the tone of the second paragraph, for example, was somewhat provocative. He thought that if they wanted peace they must induce the Soviets to consider the conditions of the Powers and to grant them the best conditions possible. It was for that reason that he insisted that whoever was responsible for the common text, the memorandum should state clearly the contribution which each Government was disposed to make towards the reconstruction of Russia.

THE PRESIDENT said that he had listened most attentively to the reading of the British and French drafts. His impression was that there was no fundamental difference of principle between them. The French draft gave a more detailed description of the present economic condition of Russia, and of the reconstruction work which would be necessary. On the other hand, the British draft was more precise in the financial section, which interested the Russians most. These details would greatly facilitate negotiations with the Russians. He therefore thought that it would be easy in this case to draft a single text with the collaboration of the British and French delegations.

M. BARTHOU wished to emphasise the fact that he had never intended to use terms in his draft which would provoke the Russian people. What he had intended to do was to define the needs of Russia and point out suitable remedies. If by chance certain phrases which it was thought might wound had crept into the French draft he would be only too glad to delete them. The president, M. Barthou continued, had analysed the two drafts very correctly. He had noted that the British text was more detailed on the question of credits. It should be taken into account, however, that if the French Government could not do as much as other countries, it was because France was in a peculiar position, on which it was unnecessary to enlarge further.

M. Seydoux was prepared to explain the intentions of the authors of the French draft, and to give any particulars which might be desirable. M. Barthou said he had no objections to the proposal to establish a very small drafting committee which would endeavour to amalgamate the two texts before them.

MR. LLOYD GEORGE agreed willingly to the appointment of a small drafting committee. He would not have felt himself at liberty to make the least criticism with regard to the contribution of France to the work of the reconstruction of Russia, because he realised, like M. Barthou, that France was in a very special position; all her resources were absorbed by the reconstruction of the areas devastated by the war. There was, moreover, a special reason why Belgium and England should make large financial contributions to Russia; England and Belgium were industrial countries and far more dependent on external trade than France. Everyone should state exactly what he wished to do and what he was able to do, and the total amount should be pooled. With regard to the drafting committee, he proposed that it should consist of one French member, one English member, one Italian member, and also M. Motta, who had greatly contributed to the conciliatory character of their meetings.

It was decided that a drafting committee consisting of the following—

Belgium: M. Delacroix

British Empire: Sir Philip Lloyd-Greame, K.B.E., M.C., M.P.

France: M. Barrère

Italy: Signor Scialoja

Switzerland: M. Motta

should meet immediately after the sitting, so that it could present a single draft preamble at the following sitting, which would be held on the 29th April, at 11 A.M.

THE PRESIDENT then adjourned the meeting at 7.20 P.M.

#### ANNEX I TO NO. 100

##### *Draft Memorandum to the Russian Delegation Proposed by the British Delegation.*

###### *Preamble.*

The representatives of the Powers assembled at the Genoa Conference have given earnest and sympathetic consideration to the problem of restoration in Russia and the re-establishment of peace throughout the European continent. They are sincerely anxious that the terms of amity should be restored amongst all nations, and that the Russian people should resume their historic place amongst the European Powers.

Russia in the past has been an important element in the economic system of Europe. But to-day her exhaustion is complete after the events which have drained her resources for the last eight years, and her elimination from the European economic system has added to the troubles from which the world is suffering.

In due course, the gap would be supplied, so far as the rest of Europe is concerned, for trade, like water, finds new channels when the older channels are blocked. Every year the world deficiency in food and raw material due to the failure of Russian supplies is being made up from other sources. But in Russia itself privation, misery and famine would continue to spread, and these would constitute a plague spot of increasing menace in the European system. Such a fate for Russia and for Europe the Powers are deeply anxious to avert.

Above all, in the interests of Russia herself, Russia must be restored. But Russian prosperity cannot be revived without the assistance of the accumulating capital and industrial skill of the West. This assistance will be given immediately in the most effective form, if such conditions can be established in Russia as to induce Western skill and capital to venture and enable it to operate.

Russia is a country of great possibilities. Its economic disaster has paralysed, but has not destroyed its resources. If Russia and the Russian people are to recover, the resources of Russia must be developed. Her agriculture, which is fundamental to her economic system, must be restored; her mines must be re-opened; and her factories must be set to work again. The nations of the West played a great part in the development of Russia. They will play that part again as soon as Russia establishes conditions which command their confidence. The needs of Russia are so manifold that they can only be met by bringing foreign manufacturers and traders again into the Russian market.

To-day, Russia is urgently in need, not only of food, clothing, medical supplies and other necessities of civilised existence, but also of locomotives, waggons, fertilisers, agricultural implements, tools, machinery and port-appliances. If these goods are not supplied to Russia, her railway system will fall to pieces, her industries will rapidly become derelict, and the yield from the land will steadily fall.

All these supplies can be furnished by the industrial countries of Europe. As soon as the use of property in Russia has been restored to its former owners, and debts are recognised, the export of these necessities will begin. Capital will flow into Russia the moment confidence begins to revive. And at the same time foreign enterprise and experience will be available for the reconstruction of Russia.

There is not a country in Europe which is unable to render effective contribution to the work of reconstructing Russia; some by financial help and commercial activity; others through the rapid resumption of the manufacture or other undertakings which they owned there; and still others through the agency of the skilled workers which they will be able to send there.

Governments represented at Genoa will also be ready to hasten this recuperative work. At first there may be an indisposition on the part of business men to turn their thoughts to Russia. But this can be overcome rapidly if the Government support can be invoked at the start. Once a pioneer has broken ground he is rapidly followed, provided his way has been made easy and comparatively secure.

There are provisions in Great Britain for this purpose, and to these Russia would be given access if an agreement on the lines of the attached clauses were concluded. The provisions are as follows:—

The British Government can guarantee under the Trade Facilities Act<sup>10</sup> the capital or interest required for capital undertakings overseas as well as at home. If the Soviet Government is prepared to take the steps needed to encourage enterprise, then this Act can be applied to the schemes in Russia; and if necessary, Parliament will be invited to increase the total amount to be made available.

In addition to the facilities afforded by this Act, there is an export credits<sup>11</sup> scheme for financing the export of British goods. Under this scheme, the British Government is authorised to expend or guarantee capital up to 26,000,000*l.* Of the 26,000,000*l.* only 11,000,000*l.* has so far been pledged. In connection with the operations needed in Russia, large exports will be required, and to enable these exports to take place, finance will be of considerable value. The British Government will be prepared to invite Parliament to extend the duration of this Act.

France can contribute to the recuperation of Russia, skilled assistance and organisation, as well as more tangible aid through the enterprise of her merchants and industrialists, and has already in contemplation concrete schemes, completely thought out, which could be carried into effect at once.

Italy is prepared to give her full support to any enterprise intended specially to re-establish efficient transport conditions, and foster the marketing of Russian products. She is further prepared to contribute through her agricultural organisations to the restoration of agricultural productivity, and, by way of co-operative association, to take a share in the industrial as well as the agricultural re-equipment of Russia.

Belgium, equally with other European Allies, will promote, through the agency of her trading and industrial enterprises in and in connection with Russia, the recovery of Russian economic life, provided only that the Soviet Government renders action along these lines possible. Moreover, on the financial side, State facilities for the purpose are at hand. A credit of 250,000,000 francs has been voted by Parliament for the encouragement of Belgian exports. Almost the whole of this sum is still available, and it could be largely used in favour of Russia.

Offers of help through effective channels are also held out by Japan.<sup>12</sup> The Japanese Government, with a view to encouraging trade with Russia, have granted a credit of 6,000,000 yen to the Russo-Japanese Trading Company. The Japanese Government have also the intention of taking further measures if they deem it necessary with the object of furthering trade relations between the two countries.

These are examples of the assistance available for Russia on a national basis, and already steps have been taken to supplement them by means of an organisation on an international footing. The establishment of an inter-

<sup>10</sup> See No. 81, n. 5.

<sup>11</sup> Ibid.

<sup>12</sup> Cf. No. 99.

national corporation<sup>13</sup> has been decided upon by leading countries in Europe. This corporation is intended to have an initial capital in its various national companies of 20,000,000*l.* Its aim is to finance reconstruction and development undertakings in Europe, which would otherwise have difficulty in procuring the necessary funds. This sum may seem small in comparison with the magnitude of the work to be done, but it will be provided as capital through the national companies formed in the leading countries of Europe, and behind it stand the resources of all these countries, from which specific operations approved by the international corporation can be financed.

The varied and pressing needs of the Russian people can be met at once from the factories of Europe, and the initial impulse can be given through the union of private enterprise with the State support afforded by these various credit schemes.

The fullest interchange of commodities, and satisfaction of the requirements of the Russian people, will rapidly follow, provided only that capital and enterprise are assured of security and offered conditions under which they can fulfil their functions.

#### CONDITIONS OF AGREEMENT.

(Third Draft.)

*April 27, 1922*

##### CLAUSE I.—*Propaganda.*

In accordance with the terms of the Cannes resolution<sup>8</sup> that all nations should undertake to refrain from propaganda subversive of order and of the established political system in the territory of another State, the Soviet Government will not interfere in any way in the internal affairs and will refrain from any action which might disturb the *status quo* in other States. It will also suppress all attempts in its territory to assist revolutionary movements in other States.

The Soviet Government will use all its influence to assist the restoration of peace in Asia Minor, and will adopt an attitude of strict neutrality between the belligerent parties.

##### CLAUSE II.—*Inter-Governmental Debts.*

The Soviet Government, on the one hand, and the other Governments, on the other hand, agree that specific sums to be fixed in respect of each country shall cover all existing financial liabilities of the Soviet Government upon each of the other Governments and of each of the other Governments upon the Russian Government.

For the purpose of enabling these sums to be fixed, the question of what reduction should be made in the amount of the debt and in the interest payable thereon owing by the Soviet Government in respect of loans made by other Governments during the war shall be referred to arbitration.

A court of arbitration consisting of (three) persons to be appointed by the president of the Permanent Court of International Justice or by the Supreme

<sup>13</sup> See No. 34, minutes 10 and 11.

Court of the United States or by the Council of the League of Nations shall be set up for the decision of the above question.

In arriving at its decision, the court of arbitration shall have regard to Russian losses during the war, to Russian losses due to civil commotion during the years succeeding the war, and to the inevitable delay in the economic and financial recovery of Russia owing to her lack of recuperative powers until her resources are developed.

The specific sums fixed in accordance with this clause shall extinguish all claims other than those comprised in the following clauses.

Nevertheless, this clause shall not apply to claims on behalf of the nationals of other Powers on account of the action in Russia of the Russian Government or to claims on behalf of Russian nationals on account of the action in other countries of the Governments of these countries.

Balance standing to the credit of a former Russian Government in any bank situate in a country of which the Government made advances to a former Russian Government or assumed responsibility for any Russian Government loan floated in that country between the 1st August, 1914, and the 7th November, 1917, shall, without prejudice to the rights of third parties, be transferred to the Government which made the advances. The liability of the Russian Government shall be *pro tanto* reduced.

#### CLAUSE III.—*Debts of Governments to Foreign Nationals.*

The Soviet Government, in accordance with the general principle admitted by all Governments, recognises its liability to meet the financial obligations contracted by it or its predecessors with foreign nationals.

#### CLAUSE IV.—*Debts of Municipalities and Public Utility Undertakings.*

The Russian Soviet Government shall recognise or cause to be recognised the financial engagements entered into before this date with the nationals of other Powers by all authorities in Russia, provincial or local, or by public utility undertakings in Russia, unless at the time of entering into the engagement the territory in which the authority or undertaking was situated was not subject to the control of the Soviet Government or its predecessors.

#### CLAUSE V.—*Private Property and Debts.*

In order to encourage the resumption of the activities of foreign businesses in Russia and to enable foreign countries to afford the assistance indicated in the Preamble, and thereby to facilitate the restoration of Russia, the Soviet Government accepts the following arrangement with respect to private property and debts.

The general principles laid down in the Cannes resolution with regard to rights of property and the recognition of foreign interests will be observed.

In cases in which the previous owner is not enabled to resume the possession of the right as previously enjoyed, he shall be given the option of resuming in the form of a concession the use of the property in Russia on terms



For the settlement of the amount of compensation to be paid in respect of individual claims, mixed arbitral tribunals may be appointed in respect of each country, one member to be appointed by the Soviet Government, one member to be appointed by the Government of the national concerned, and a chairman to be appointed by the chairman of the commission.

CLAUSE IX.—*Administration of Justice.*

The administration of justice in Russia shall be provided for as set out in article 8 of the recommendations of the Allied experts.<sup>14</sup>

CLAUSE X.—*Conditions of Residence and Trade in Russia.*

Foreigners shall be allowed to reside and trade in Russia in accordance with the provisions of articles 9-17 of the recommendations of the Allied experts.

ANNEX II TO NO. 100

*Draft Memorandum to the Russian Delegation proposed by the French Delegation.*

*Preamble.*

The representatives of the Powers assembled at the Genoa Conference have considered in the most earnest and sympathetic manner the problem of the restoration of Russia, with a view to the re-establishment of peace over the whole of the Continent of Europe. They sincerely desire that friendly relations should be restored among all the nations, and that the Russian people should resume its historic place among the European Powers.

The reconstitution of Russia must be effected above all in the interests of Russia herself. This great country is exhausted as a result of events which for eight years have drained her resources. Agriculture, industry and means of transport are partly destroyed: production is almost entirely at a standstill; vast natural resources are abandoned; and the population is decimated by famine and disease. Unable to export the surplus output of her labour and to exchange it for the many goods which it needed to advance its prosperity and the welfare of its people; unable, therefore, to participate in the general movement of trade and thus to be a source of wealth and progress, Russia languishes in misery, cut off from a world which would be entirely ready to come to her assistance. As soon as the feeling of security has been revived in Russia, that is to say, when the nationals of foreign countries have guarantees that they can resume their former industrial or commercial undertakings and start new ones, with the 'certainty that their property and their rights will be respected and the profits of their undertakings secured them,' they will hasten to afford Russia the benefit of their technical knowledge, their work, and their capital.

There is not a country in Europe which is unable to render effective contribution to the work of reconstruction in Russia, some by financial help and commercial activity, others by the rapid resumption of the manufactures

<sup>14</sup> See No. 56, Appendix.



or public utility undertakings which they owned there, and still others by the skilled workers which they will be able to send.

This activity should be directed to three spheres.

The agricultural restoration of Russia dominates all other questions from the economic point of view. Even the re-establishment of industry depends on it, as the necessary labour can only be obtained if its food supply is assured. Agricultural production is the foundation of the entire economic system of Russia. Its revival alone can provide an effective remedy for the famine which threatens to destroy the Russian population. It is dangerously Utopian to count on the importation of food from abroad to overcome this famine.

Until Russia has re-established her agricultural production, she will be unable to return to a normal existence and to resume her function as an exporting country in the world at large. The chief factor in her purchasing power on foreign markets has always been the product of the sale of corn. It is clear that the essential condition for this restoration is the revival of work on the land. It is essential for the increase of output that the tiller of the soil is certain of being able to dispose freely of the produce of his labour, so that he will not hesitate to incur the necessary expenditure to increase output. In order to stimulate his activity, it must be possible to offer him in exchange goods which he does not possess on conditions which will enable him to pay without too much difficulty, while giving foreign producers the essential guarantees; a system of long term credits on the security of the next harvest might be instituted. The co-operative societies could play an important part in these credit operations.

Agricultural supplies (tractors, threshing machines, and tools of all kinds), of which there is at present a shortage, can be easily and rapidly imported from abroad. Imports from abroad will also be of value in supplying seed and, if necessary, manure. Purchases have already been concluded with this object in certain European countries. It is important to increase the number of these so that the largest possible area of Russian land can be rapidly sown.

Livestock, if it is at present decimated by epizootic disease, could not be imported in great quantities, except for breeding stock, but it is possible to send into the most affected regions veterinary missions similar to those which recently worked most effectively in the countries adjoining Russia.

The revival of Russian agriculture could be carried out by means of large concessions to foreign companies, either for the tilling of the soil or the lease of supplies. Definite schemes, drawn up in detail, are in existence, and could be put into effect immediately.

With regard to industry, it is essential that foreigners should be enabled to take or resume an active and direct share in the industrial restoration of Russia, subject always to guarantees giving them the security possible and necessary for their goods, their rights, and the ownership of their profits. Without such security, manufacturers wishing to engage in business in Russia would be unable to obtain either the capital or the skilled personnel which are essential, as indicated by the Cannes resolutions.

Most of the industrial districts of Russia were exploited by foreign owners or concession-holders, who are in a position to resume work at once on the conditions indicated above. They will bring with them not only the technical staff which is at present lacking in Russia, but also foodstuffs, equipment and supplies of all kinds required for the working of their factories and for the necessities of the workers, foreign and Russian alike. When these establishments have resumed work, they will at once become a centre of activities whose influence will spread in proportion to their progress. These manufacturers, whose number and skill are well known, will be able to raise the capital they require, in their country of origin, by means of the securities referred to above.

In order to expedite this revival of industry, and to render it more complete, these manufacturers are ready to constitute amongst themselves groups which will unite a certain number of undertakings of the same kind.

But the restoration of means of transport is an essential factor in the work of reconstruction. The problem is first and foremost a problem of rolling-stock and repair shops for that rolling-stock. Certain countries of Western Europe are in a position to supply at once a considerable quantity of rolling-stock which could easily be adapted to the Russian gauge. In order to utilise this rolling-stock the following method of technical assistance could be adopted; a company might be formed for the hire, maintenance and repair of rolling-stock. This private company would hire out the rolling-stock to the financial authorities on conditions to be determined later; it might lease the repair shops required for the upkeep and repair both of its own rolling-stock and of rolling-stock at present in Russia. The necessary technical staff—engineers, workshop managers, &c.—would, of course, be supplied by the company.

For all these schemes financial assistance is necessary. For this purpose it has been decided to establish an international corporation; its object is to finance reconstruction and development undertakings in Europe, by means of national companies to be established in the most important countries.

Further, certain countries are in a position to advance immediately substantial sums to those of their nationals who will trade with Russia or settle there for that purpose. To these special facilities must be added the private credits, to which reference has been made above, which manufacturers who have the assurance that their undertakings can be successfully resumed in Russia will not fail to receive from the national banks.

It must not be forgotten that time is an indispensable factor in the reconstruction of Russia, but the important thing is to make a start; as soon as the first impulse has been given, as soon as the first pioneers have been able to settle in Russia and to make known the fact that they have been successful and have demonstrated to themselves and their countrymen that the way which had been closed for so long is open and safe, others will follow and their number will be all the greater because the road had been barred so long.

In these circumstances, the following conditions are submitted to the Russian delegation:—

### CLAUSE I.—*Propaganda.*

In accordance with the terms of the Cannes resolutions<sup>8</sup> that all nations should undertake to refrain from all propaganda subversive of order and of the established political system in countries other than their own, the Russian Soviet Government will not interfere in any way in the internal affairs, and will refrain from any action which might disturb the *status quo* in other States. It will also suppress all attempts to assist revolutionary movements in other States.

The Russian Soviet Government will use all its influence to assist the restoration of peace in Asia Minor, and will adopt an attitude of strict neutrality between the belligerent parties.

### CLAUSE II.—*Inter-Governmental Debts.*

The Russian Soviet Government accepts the financial obligations of its predecessors, that is to say, of the Imperial Russian Government and of the Russian Provisional Government, towards foreign Powers.

In consideration of the present economic and financial condition of Russia, and the necessity of facilitating the reconstruction of Russia and the rehabilitation of her credit, the creditor Powers are willing to allow Russia easy terms of payment, and to consider in conjunction with the Russian Government a moratorium and other suitable measures.

The Russian Soviet Government, on the one hand, and the other Powers on the other, will make no claim upon each other by reason of past acts of the Russian Soviet Government with regard to the other Governments, or of past acts of the other Governments with regard to the Russian Soviet Government.

Any balance standing to the credit of a former Russian Government in a bank situated in a country of which the Government made advances to a former Russian Government, or assumed responsibility for loans floated by a Russian Government in that country between the 1st August, 1914, and the 1st November, 1917, shall, without prejudice to the rights of third parties, be transferred to the Government concerned. The liability of the Russian Soviet Government shall be *pro tanto* reduced.

If the country in which the balance mentioned above is standing did not make advances to the Russian Government, or if the balance in question exceeds the advances made, the sums in question may be retained as security until the Russian Soviet Government has fulfilled all its obligations towards nationals of that country.

### CLAUSE III.—*Government Debts towards Nationals of other Countries.*

In conformity with the general principle admitted by all Governments, the Russian Soviet Government recognises its obligation to fulfil the financial engagements which it or its predecessors, that is to say, the Imperial Russian Government and the Russian Provisional Government, have contracted *vis-à-vis* foreign nationals.

Loans or financial engagements contracted by the Russian Soviet Government or its predecessors, *vis-à-vis* foreign nationals, shall be deemed to be engagements *vis-à-vis* foreign nationals, whatever may have been the liabilities assumed by a foreign Government regarding such loans or engagements.

#### CLAUSE IV.

The Russian Soviet Government undertakes to recognise, or to cause to be recognised, the financial engagements of all authorities in Russia, provincial or local as well as public utility enterprises in Russia, contracted before this date *vis-à-vis* nationals of other Powers, unless at the time when the engagement was contracted the authority or enterprise was not under the control of the Soviet Government or of the Russian Provisional Government.

#### CLAUSE V.

The Russian Soviet Government undertakes to conclude an arrangement before the 31st December, 1922, with the representatives of holders of bonds issued or guaranteed by the Russian Soviet Government or its predecessors for ensuring the restarting of the service of these loans. This arrangement will cover dates and terms of payment such that adequate account may be taken both of the actual conditions in Russia, and of the necessity for her reconstruction.

The said arrangement shall apply as far as possible to all foreign holders without distinction of nationality.

In case a collective agreement cannot be reached the benefit of an arrangement concluded with any particular group may be claimed by all other holders.

If no such agreement as is referred to in paragraph 1 can be concluded, the Russian Soviet Government agrees to accept the decision of a Mixed Arbitration Commission, the president of which shall be appointed by the president of the Supreme Court of the United States, or failing him, by the League of Nations or the president of the Permanent Court of International Justice at The Hague.

The procedure laid down in this clause shall also be applied with a view to the restarting of the service of the loans referred to in clause IV by means of arrangements concluded between the representatives of the holders and the debtor authorities or undertakings, or the successors or assigns of such authorities or undertakings.

#### CLAUSE VI.

In order to encourage the restarting of foreign economic activity in Russia, and to permit foreign States to furnish to Russia the aid indicated in the preamble, and thereby to facilitate the restoration of the country, the Russian Soviet Government accepts the following provisions with respect to private property:—

1. Claimants will be entitled to demand the return of property, rights and interests—

If the property, rights and interests are still in existence, and capable of identification, they will be returned, and compensation for their use or for injury thereto during the dispossession will in default of agreement between the Soviet Government and the private party concerned, be fixed by the Mixed Arbitral Tribunal. Agreements of concession in relation to public utility undertakings shall be modified so as to be brought into harmony with present economic conditions, for example, as regards charges, duration of concessions and conditions of operation.

If the property, rights and interests are not still in existence or cannot be identified, or the claimant does not desire their return, the claim may, by agreement between the Soviet Government and the private party concerned, be satisfied either by the grant of similar property, rights or interest coupled with compensation to be agreed, or failing agreement to be fixed by the Mixed Arbitral Tribunal, or by any other agreed settlement.

In all other cases the claimants shall be entitled to compensation on a monetary basis to be fixed by the Mixed Arbitral Tribunal.

2. The Russian Government shall undertake liability for actual and direct losses, whether arising out of breach of contract or otherwise, suffered by nationals of other Powers, due to the action or negligence of the Soviet Government or its predecessors, or of provincial or local authorities, or of an agent of any such Governments or authorities on territories subject to the authority of the said Government at the time when the action took place or the negligence occurred.

The liabilities referred to in the preceding paragraph will be determined by the Mixed Arbitral Tribunal referred to in clause VIII.

3. Russian financial and industrial companies, which on the 1st November, 1917, were controlled by nationals of other Powers, or in which at the same date such nationals possessed a substantial interest (shareholders and bondholders), shall, if the majority of the foreign interests so desire, be covered by the term 'previous foreign owner'.

4. In cases in which a claim is not made under paragraph 7, any foreign national who is a shareholder in a Russian company may claim compensation in accordance with paragraph 2 of the present clause for injury done to his holding in the company.

5. The mode of application of the present clause, with regard in particular to the fixing of compensation by the Mixed Arbitral Tribunal, the rights of persons having acquired their property, rights and interests subsequent to the 1st November, 1917, and, in general, the rights of all other persons concerned, shall be regulated in conformity with the provisions of the London experts' report.

#### CLAUSE VII.—*Bonds.*

Pecuniary compensation awarded under clause 6, paragraphs 2, 4 and 5, will be paid by the issue of new Russian 5 per cent. bonds for the amount fixed by the Mixed Arbitral Tribunal.

Provision will be made for the issue and service of the new Russian bonds.

#### CLAUSE VIII.

Mixed Arbitration Tribunals shall be appointed to decide questions concerning the various countries; these tribunals shall consist, in respect of each country, of one member appointed by the Russian Soviet Government, one member appointed by the Government of the national concerned, and a president appointed by the president of the Supreme Court of the United States, or by the president of the Permanent Court of International Justice, or by the Council of the League of Nations.

A committee consisting of the presidents of these tribunals shall be appointed to decide all questions of principle, and to guarantee uniformity of decisions.

#### CLAUSE IX.

The restarting in the shortest possible time of enterprises of all kinds which belong[ed] to foreigners before the events of 1917, and the establishment of new enterprises being of the greatest importance for the rapid reconstruction of Russia, the Soviet authorities undertake to establish a provisional system for the protection of the person and property of foreigners.

#### CLAUSE X.

The administration of justice in Russia shall be provided for as set out in article 8 of the London experts' report.

#### CLAUSE XI.

Conditions of residence and trade of foreigners in Russia shall be fixed in accordance with the provisions of articles 9 to 17 of the London experts' report.

#### CLAUSE XII.

Special arrangements shall be made for the settlement of questions relating to the liquidation of pre-war contracts between Russian nationals and foreigners, and questions relating to prescriptions, limitations and foreclosures.

#### No. 101

s.G. 21] *Notes of a Meeting between the Prime Minister (who was accompanied by Sir Maurice Hankey) and M. Barthou (who was accompanied by M. Camerlynck), at the Hotel Miramare, Genoa, on Saturday, April 29, 1922, at 10.45 a.m.*

(*Origin of the Meeting.*—At 9 A.M. the same morning, M. Camerlynck had called on Sir Maurice Hankey at the Hotel Miramare, and had told him, in the most non-committal manner and solely as from himself to Sir Maurice Hankey, of a proposal which had been received by M. Barthou from Paris, and which M. Barthou had felt that he could not propose to the British

Government. This proposal, M. Camerlynck explained, was to the effect that France should write down her claims for war debts against Russia on condition that the British Government should remit a corresponding sum from the debt of France to Great Britain.)

*Reparations: Mr. Lloyd George's Tentative Proposal.*

1. MR. LLOYD GEORGE said that no doubt M. Barthou was aware of what M. Camerlynck had said to Sir Maurice Hankey.

M. BARTHOU nodded assent.

MR. LLOYD GEORGE said that this proposal was not one that he could discuss. He felt that the debts must be dealt with on a larger scale altogether. There was a much better proposal which he would like to put forward, and which he would like M. Barthou to be cognisant of. It was essential to get the confidence of the United States of America, which, for the moment, was badly shaken so far as France was concerned. Great Britain owed to the United States of America roughly £1,000,000,000. She was, however, a creditor State to the amount of about £3,300,000,000, including the debts owed by France, Italy, Russia and the smaller Allies, as well as Germany. Out of this total, a sum of £1,300,000,000<sup>1</sup> represented the British 22 per cent. of the compensation due from Germany. The remaining £2,000,000,000 was composed of the amounts advanced to France, Italy, Russia and the smaller States. He would now describe the proposal which he was prepared to recommend to Parliament. Most of the German indebtedness to Great Britain consisted of pensions. It was true that there were some amounts due for losses sustained from submarines and aircraft, but the bulk of it was on account of pensions. His proposal was that if the United States of America was prepared to wipe out European debts—that is to say, her claims on Europe—Great Britain should wipe out all claims for Government debts against every European country, including the claims for pensions against Germany, which, he repeated, was the largest proportion of the British claims against Germany. It would be a condition of this arrangement that every country—France, Italy and the rest—should agree to remit their claims against Germany for pensions; that is to say, all the claims against Germany would disappear, except those relating to reparations for devastation. If this plan were adopted, the position would be that there would be no claims for Government war debts against France, and the claims against Germany would be confined to reparation. These claims would be mostly French, to the extent of four-fifths, he thought. Germany would then be in a position to raise immediately a loan sufficient to obtain a large sum for France for reparation of devastated areas, and would, in addition, have something to start her own economic life. He would be prepared to try and put this scheme through, if the United States of America would come in. He understood that America was awaiting the result of this conference to deal with the question of debts, and that their first condition was that peace

<sup>1</sup> This figure is supplied from the Confidential Print, which corrects an error in the Cabinet Office typescript.

should be established in Europe. If this conference failed to re-establish European peace, such a project would be hopeless, as America would in that case turn her back on Europe.

M. BARTHOU said that this was a very important proposal and Mr. Lloyd George must realise, from the very importance of the issue (which was not within the scope of the Genoa Conference), that it was beyond his own powers to give a reply to-day.

#### *Russia and War Debts.*

2. M. BARTHOU now asked if it would not be possible to find a formula to get rid of the vexatious question of Russian war debts. He carefully re-read the Boulogne<sup>2</sup> conversation, and he saw that M. Poincaré had said that the abandonment of war debts could only be considered as part of the general settlement of inter-Allied indebtedness. He thought it possible that Russia would accept that formula, and he asked why it should not be introduced into the discussion. It would enable progress to be made.

MR. LLOYD GEORGE said the difficulty of this was that it kept alive the Russian counter-claims. The object of his proposals had been to get rid of these counter-claims. He had understood at Boulogne that M. Poincaré had agreed to this, and this was his sole object in proposing the reduction of war debts. He did not wish to keep these counter-claims alive, because they were so very embarrassing.

M. BARTHOU said that the French reply to the claims which Russia made on account of the assistance that had been given by the Allies to the counter-revolutionary movements was that the Treaty of Brest-Litovsk had inflicted greater damage on the Allies than Russia had sustained from the counter-revolutions. M. Poincaré had made this point in the Boulogne conversation. These two sets of circumstances, namely, the effects of the counter-revolution and of the Treaty of Brest-Litovsk, had to be set off one against the other. There remained the question of the war debts. He had to bear in mind the sovereignty of Parliament, and he must obtain some plan which he could submit to the Chamber. That was why he wished to get a formula on which they could agree. At Boulogne, M. Poincaré had accepted the idea of a reduction of the war debts, but had said it must be remitted until there was a general settlement.

MR. LLOYD GEORGE then read the following extract from Sir Maurice Hankey's notes of the Boulogne conversation:—

'Mr. Lloyd George said that Great Britain was, if anything, more involved than France in this matter. She had assisted Kolchak, Denikin and the forces at Archangel. If damages were claimed they would be claimed against Great Britain. Certainly Great Britain would not recognise any such claim. The suggestion of the British expert committee had been that Russia should be induced to recognise certain round figures as her debt. For example, supposing Russia owed us originally £600,000,000, to this would have to be added the interest of six years, which would

<sup>2</sup> See No. 34.



amount to another £150,000,000. The idea was to say to Russia, "Pay us £400,000,000 and then we shall be quits." As a matter of fact she could never pay even this sum. He hoped that some day all these debts would be wiped out. It was apparently only certain people in the United States of America who thought it was possible that it could be paid in full. Hence, he thought we should not demand payment of £600,000,000, but should be content with a more reasonable sum. But if Russia made some exorbitant claim we should certainly refuse.

'Mr. Lloyd George added that, when he spoke of £400,000,000, he spoke of State debts and not of private debts.

'M. Poincaré said that it would be impossible for France to consent that private debts should be sacrificed.

'Mr. Lloyd George said he fully agreed.

'M. Poincaré said that when Mr. Lloyd George spoke of State debts it was a matter, he thought, of State debts contracted during the war, and not of loans contracted before the war by Russia; if not, France could not engage herself in this way, for the title deeds of these loans were in the hands of a number of small holders,' &c. (I.C.P. 236.)<sup>2</sup>

This, Mr. Lloyd George continued, seemed to indicate that M. Poincaré accepted the principle as regards reduction of war debts as distinct from pre-war debts. He himself had never proposed a reduction of private debts.

M. BARTHOU said he well recalled the passage in question, and what Mr. Lloyd George had said was exact.

MR. LLOYD GEORGE said, therefore, that it was accepted at Boulogne to write down the war debts, in view of the Russian counter-claims, and the Allied experts in London had accepted the Boulogne conversation as the basis of their report.<sup>3</sup>

M. BARTHOU said that perhaps it was only a question of the formula. In France, when they had spoken of a moratorium, they had not intended the writing down of debts. This did not mean, however, that he would exclude a reduction of debt. Why, however, should Mr. Lloyd George ask for something which would only be rejected by the French Government? In order not to risk a rupture with the Soviet, he proposed something which would threaten a rupture with the French Government. That was why he wanted to find a formula.

MR. LLOYD GEORGE at this point handed M. Barthou articles 5 and 6 of the report of the London experts, which had been based on the Boulogne conversation.

M. BARTHOU said he was familiar with these articles. There were, however, other questions which he wished to raise to-day—besides many others which he would wish to raise some other day—and he would like to reserve the question of war debts until he had had a talk with M. Seydoux, and endeavoured with him to prepare a formula consistent with articles 5 and 6 of the report of the London experts.

<sup>3</sup> No. 56, Appendix.

He wished Mr. Lloyd George to understand that he himself was favourable to the Genoa Conference, and wished to make it a success. French public opinion, however, was not very keen on the Genoa Conference. He could not explain exactly why, but the Genoa Conference had not a good reputation in Paris or in France—he could not speak for London. Personally, however, he was very sincere in his desire for its success. On the evening when he had learned of the German-Russian<sup>4</sup> agreement he might quite well have left the conference. That he did not do so was a proof of his sincerity.

MR. LLOYD GEORGE said that London did not represent England any more than Paris represented France; probably even less. The bulk of the British people desired a settlement. He was willing to risk everything on this. If he appealed to the country on that issue, he was certain he could carry it. Mr. Wickham Steed<sup>5</sup> and the 'Morning Post' no more represented Great Britain than 'Pertinax' represented France. He himself was not afraid of the attitude of the English people. The only alternative to an agreement on the question was that those who felt they could carry their own public opinion with them should proceed with the agreement with Russia. If France took a different view and its Government felt it could not carry public opinion, then it must leave the matter over until its public opinion was ready. That was the only alternative.

M. BARTHOU said there was no alternative for him, and that his decision was taken. Like Mr. Lloyd George, he would defend Genoa until the very last, but he was not a Prime Minister, and the end might come for him sooner than for Mr. Lloyd George. That was the great difference between them. He would ask permission to prepare a formula which might meet both parties.

MR. LLOYD GEORGE said that the public opinion of the world was more and more inclined to reach a settlement. He felt sure that the common-sense of France would say, 'Get this affair settled and let us go on with our own business.'

M. BARTHOU said he personally had no objection to this remark.

MR. LLOYD GEORGE, continuing, said that M. Clemenceau, in a private conversation during the previous year, had said that those who thought that public opinion in France was militarist were making a great mistake; the French had had enough of fighting, and wanted peace.

M. BARTHOU said it was only a question of a short delay. He wanted time to consult with M. Seydoux and put forward a formula.

MR. LLOYD GEORGE said that he had seen the representatives of nearly every country at Genoa, and they all said the same thing, that what their peoples needed was peace.

M. BARTHOU said he had no greater desire than to achieve peace. He knew what war cost, partly from personal experiences.

MR. LLOYD GEORGE said it was not only the war but the general upheaval and drum-beating against which the common-sense of the nations protested. He had seen another formula in regard to private property, which was neither

<sup>4</sup> See No. 75.

<sup>5</sup> Editor of *The Times*.

the British nor the French formula. It had been framed to-day by Sir Cecil Hurst, and he suggested that Sir Cecil should show it to M. Fromageot. It covered every point, and was very carefully based on the Cannes resolutions.<sup>6</sup>

M. BARTHOU asked that M. Fromageot might be allowed to see it.

MR. LLOYD GEORGE said that Sir Cecil Hurst was drafting it now, and he would be glad if he might consult M. Fromageot or M. Seydoux. He himself would propose to put it forward as a substitute both for the British and French drafts.

M. BARTHOU suggested that, as the Belgians were rather sensitive, they might be called in.

MR. LLOYD GEORGE suggested that M. Cattier might be invited to participate.

M. BARTHOU agreed that M. Fromageot, Sir Cecil Hurst and M. Cattier might collaborate.

MR. LLOYD GEORGE said it was a much better formula, which placed the debts on the basis of law in France and Great Britain.

M. BARTHOU agreed that the jurists should meet at once.

MR. LLOYD GEORGE asked if M. Barthou had any other question to raise, as they ought to be going to the meeting of the Sub-Committee of the First Commission, which had already started some half-an-hour before [*sic*].

M. BARTHOU said that there were a number of questions he would like to discuss later on.

When on the point of leaving, M. Barthou said that some of Mr. Lloyd George's speeches at the conference had made a bad impression in France. He was quite aware that Mr. Lloyd George had no personal feeling against himself, and that at bottom he was a sincere friend of France. Some of his observations, however, had been stripped from their context and exaggerated, and had made a very bad impression in France.

MR. LLOYD GEORGE said that if they could settle this question of the Russian war debts and private debts, he would be very glad to see the journalists and make some statement favourable to France. He asked M. Barthou to consider what he could say which would have a good effect.

M. BARTHOU then spoke of his probable forthcoming visit to Paris. He said that one result he hoped for would be a satisfactory settlement of the question of a pact of non-aggression.

MR. LLOYD GEORGE asked if M. Barthou had any information about the attitude of the Russians.

M. BARTHOU said that he had information, but on previous occasions it had proved so unreliable that he felt it was no use for him to refer to it.

(M. Barthou and Mr. Lloyd George then left for the meeting of the Sub-Committee of the First Commission.)

*Hotel Miramare, Genoa, April 29, 1922.*

<sup>6</sup> See No. 6, Appendix.

P.C.S. 4] *Meeting of Members of the Sub-Commission of the First Commission held on April 29, 1922, at 11 a.m. in the Palazzo Reale, Genoa.*

PRESENT: *President*: Signor Schanzer.

*Belgium*: M. Jaspar.

*British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P.

*France*: M. Barthou.

*Italy*: Signor Schanzer.

*Japan*: Viscount Ishii.

*Poland*: M. Skirmunt.

*Roumania*: M. Bratiano.

*Sweden*: M. Branting.

*Switzerland*: M. Motta.

The sitting opened at 11.10 A.M.

At the request of the president, M. DELACROIX (Belgian assistant delegate) as president of the Drafting Committee, appointed to amalgamate the preambles of the French and British draft of the memorandum<sup>1</sup> to be presented to Russia, reported on the results of the work done. He was glad to state that the members of the committee had found no difficulty in agreeing on a single draft, which he then read (Annex I).<sup>2</sup> He added that the passage regarding the contributions which France proposed to make for the reconstruction of Russia, was still in suspense, as this passage would have to be reduced in length. He asked if M. Seydoux had prepared a new text.

M. SEYDOUX (French assistant delegate) read the list of goods and services offered which the French delegation had laid before the Drafting Committee (Annex II) and the new text which he had drafted.

This draft was approved (see final text of the preamble, Annex III).

THE PRESIDENT stated that the draft preamble which had been read was open to discussion.

M. SKIRMUNT wished to make more clear the nature of the contribution which Poland could make towards the reconstruction of Russia. A number of technical experts with experience in Russian affairs were to be found in Poland, and were ready to return to Russia. With regard to agriculture, Poland was ready to supply to Russia a large quantity of seed-corn, tools and agricultural machinery. She was also ready to place at the disposal of Russia her anti-epizootic service. She could, further, supply raw materials and textiles against credits. The Lodz region had already resumed its pre-war production of cloth and was ready to send its supplies again to its normal market, which was Russia.

M. SKIRMUNT was ready to draft a note, giving particulars of these proposals.

THE PRESIDENT noted M. Skirmunt's declaration. He thought that each delegation which had not already done so should define the nature of the

<sup>1</sup> See No. 100, Annexes I and II.

<sup>2</sup> Not printed. The final version is printed at Annex III.

assistance which it was prepared to grant to Russia, so that the commission might know of them as soon as possible, and decide, if necessary, to add these declarations to the preamble.

M. KENGO MORI (Japanese assistant delegate) asked that in the paragraph regarding Japanese offers of assistance, the figure of 8,000,000 yen should be substituted for 6,000,000. Further, he proposed that the following words should be added to this paragraph: ‘. . . and also have advanced nearly 10,000,000 yen for the purpose of facilitating railway transport in Siberia and bordering regions in agreement with the United States of America and other Powers.’<sup>3</sup>

MR. LLOYD GEORGE thought that it was a little dangerous to put in M. Kengo Mori’s amendment, because it was in the nature of a claim. France and Great Britain had advanced very considerable sums of money for the Siberian Railway. The claims of these two Powers, as well as that of Japan, would be put forward later when the question of debts was discussed.

THE PRESIDENT observed that the amendment proposed by the Japanese delegation concerned a debt already contracted, while the main object of the preamble was to determine the credits which should be granted to Russia. In these circumstances it did not appear possible to insert this amendment in the preamble.

M. KENGO MORI stated that the Japanese delegation, in proposing its amendment, only intended to carry out the desire expressed by Mr. Lloyd George to improve the draft before them. As the addition which he had proposed was not considered suitable, he was very willing to withdraw it.

SIR PHILIP LLOYD-GREAME (British assistant delegate) said that on page 4, paragraph 4, there were the words ‘the sum authorised by this Act was £25,000,000 sterling, of which approximately £10,000,000 is still available’. He wished to cut out the words ‘of which approximately £10,000,000 is still available’.

This proposal was unanimously adopted.

M. SEYDOUX asked that on page 2, line 6, the word ‘agricultural’ should be added to the words ‘industrial or commercial’. (This amendment was also adopted.)

He observed that it would be desirable to ask the States not represented on the sub-commission what assistance they would be prepared, if necessary, to grant to Russia.

THE PRESIDENT supported this suggestion, but in order to avoid delay in arriving at a final text for the preamble, he said that he would prefer these declarations to appear in an annex to the preamble.

M. JASPAR thought that it would be better to ask the representatives of the Little Entente and the neutral States on the sub-commission to collect the declarations of their respective groups of States, and to submit them to the Drafting Committee which would consider the most suitable method of inserting these declarations in the text of the preamble.

M. BRANTING, after having recalled the fact that Sweden resumed economic

<sup>3</sup> Cf. No. 99, n. 8.

relations with Russia long ago,<sup>4</sup> stated that his country would be strongly in favour of the efforts made by the Powers to assist in the restoration of Russia. It was difficult, however, for him to make a definite undertaking as to credits which Sweden would open for Russia and the share that she could take in the establishment of the International Corporation.<sup>5</sup> Hitherto, in fact, business relations between the two countries had been of a private nature. M. Branting wished to make it clear, however, that Sweden was in favour of the idea of the reconstruction of Russia and that her feeling in this respect would certainly be shared by all the Scandinavian States not represented on the sub-committee.

THE PRESIDENT said he had listened with interest to M. Branting's declaration, but wished to point out that the document in preparation should show chiefly the credits granted to Russia and not only the goods which could be sent there against payment. The main thing was to determine on what financial assistance Russia could rely.

M. JASPAR thought, that, in the interests of the document itself and in order to emphasise the collective nature of the effort being made by Europe, it would be desirable to include the largest possible number of declarations regarding assistance to be given to Russia.

THE PRESIDENT observed that certain States present at the conference were not represented on the sub-commission, as, for example, Greece and Portugal. If they were to have the opinion of every State it would be necessary to issue a kind of circular letter. As there might be delay on the part of some States in replying, the best thing would be to insert the declarations received in an annex, drafted later.

The President asked the delegates to state their views on the questions:—

1. Whether the various delegations should be invited to state what assistance they were prepared to grant to Russia.
2. Whether these declarations should be inserted in a memorandum, or constitute a separate document.

M. BRATIANO thought that it would be better only to insert a general declaration showing that all the States were agreed in devoting all their efforts to the reconstruction of Russia, and to postpone to a later date all particulars of the contribution to be made by each State. In the opinion of M. Bratiano, a detailed enumeration would have two disadvantages. First, that it would be too long, and second, that it would give the impression that States not included in it were not co-operating in the work of reconstruction with complete good-will.

M. MOTTA supported M. Bratiano's proposal. If they undertook to enumerate in detail all the contributions that each State wished to make to the reconstruction of Russia, the memorandum, quite apart from the fact that it

<sup>4</sup> Trade agreements between Sweden and Russia were signed on June 1, 1918 and October 28, 1918, the latter being supplemented by a further agreement signed on October 31, 1918 (see R. M. Slusser and J. F. Triska, *op. cit.*, pp. 5 and 7).

<sup>5</sup> See No. 34, minutes 10 and 11.

would become inordinately long would also probably cease to be clear, precise and effective. The method proposed by M. Bratiano appeared to M. Motta to be the best.

At the request of the president, and in agreement with M. Bratiano, M. Motta agreed to draft, in co-operation with the Drafting Committee, a statement for insertion in the preamble, expressing the willingness of all the States to take their share, each according to its ability, in the reconstruction of Russia.

As no other observation was made, the president announced that the draft preamble was approved with the amendments indicated above (for final text, see Annex III).

He then stated that the text of article 1 was open to discussion.

M. BRATIANO proposed the following amendment to article 1: Instead of 'any action which may disturb the *status quo*' to read 'any action which may disturb the territorial and political *status quo* in other States'. He thought this addition of detail essential, especially for Roumania, as Russia could interfere indirectly in her affairs by carrying on propaganda to dispute the frontiers determined.

MR. LLOYD GEORGE said that M. Bratiano's proposal raised the question of the western frontiers of Russia, which was one of very great magnitude. It was idle for them to conceal from themselves that sooner or later this question would come up before the conference, especially as the new frontiers had not been accepted by all the Powers. With regard to Bessarabia, the British delegation was in entire agreement with the view taken by Roumania<sup>6</sup> but the Bessarabian frontier was not the only one. Before there could be anything in the nature of a pact of non-aggression, it was quite clear that the frontiers had to be defined. In his opinion it was as well to approve M. Bratiano's amendment so as to find out the exact position of the Soviet Government upon all these issues.

THE PRESIDENT, M. BARTHOU and VISCOUNT ISHII spoke in support of M. Bratiano's proposal, as seconded by Mr. Lloyd George.

M. BRANTING thought, on the other hand, that the question was a territorial one and could hardly find a place in an article devoted to propaganda. He also stated that as Sweden had taken no part in determining the new frontiers of Europe, he would reserve his opinion upon such a question.

M. MOTTA said that he would be glad to support M. Bratiano's request, but, as Switzerland was in the same condition as Sweden, she would have to remain neutral in this question. Further, article 1 appeared to deal solely with propaganda subversive of public order, and the addition proposed by M. Bratiano involved the risk of altering the nature of this article.

M. BRATIANO expressed his hearty thanks to the delegations who had supported his proposal, but he regretted that M. Branting and M. Motta had been unable to do so. The States assembled at the conference were there for the furtherance of general peace. This peace could only be achieved on the basis of the frontiers established by the treaties. Refusal to recognise these

<sup>6</sup> Cf. No. 82.

frontiers involved the danger of fostering territorial disputes which had hardly yet been settled, and thus of perpetuating in Europe grounds of dispute which it had been hoped to remove. There was no doubt that propaganda which aimed at opposing and attacking the established territorial order was equally dangerous with propaganda which proposed to overthrow social order, as it prevented the establishment of peace without which economic and social revival was impossible.

M. BRANTING thought M. Bratiano's remarks were unjustified. The position of the neutral States was that they accepted as existing fact the frontiers defined by the treaties in which they had no share, but they refused to take part in disputes when they did not wish to share in the settlement of them.

M. SKIRMUNT spoke in support of M. Bratiano's proposal. He quite understood that there was no question at this time of determining definitely frontiers which had not yet been recognised internationally, such as the eastern frontiers of Poland. He pointed out in this connection that, under article 427 of the Treaty of Versailles, the Principal Allied and Associated Powers had reserved the right to determine these frontiers. It was for this reason that the Polish Government had recently appealed to the British, French, Italian and Japanese Governments to come to a decision on this question.<sup>7</sup> M. Bratiano's proposal, however, dealt, not with the determination of frontiers, but only with steps to be taken to prevent propaganda hostile to the territorial integrity of States adjoining Russia.

M. BARTHOUD did not wish to discuss the reasons which had led M. Branting and M. Motta to refrain from supporting the amendment under discussion, but he hoped that this abstention would not extend to the other important questions submitted to the conference. He was glad to note that the fact that M. Branting and M. Motta had both accepted the Cannes resolutions<sup>8</sup> showed that there could be no objection in their minds to the treaties which had been signed.

M. BRATIANO observed that he had not asked for the recognition of a treaty, but he had wished to show that it was impossible to establish a state of peace without fixing the frontiers of a country in which it was desired to maintain this peace. These frontiers were those at present observed. It would be impossible to prevent propaganda within a State if territory belonging to that State were in dispute. Otherwise, the Russian Soviet Government would be able to carry on its propaganda in Bessarabia, which was an inseparable part of Roumania. He wished to call the attention of the representatives of the neutral States to the fact that his proposal did not involve the recognition of a treaty, but general co-operation with a view to establishing peace in Europe and to put a stop to anarchist propaganda within its frontiers.

MR. LLOYD GEORGE, while accepting the amendment proposed by M. Bratiano, did not think they ought to be tied to accepting the *status quo* of any of these frontiers. In the statement that he had already made he drew a

<sup>7</sup> See No. 95, n. 4.

<sup>8</sup> See No. 6, Appendix.



sharp distinction between the frontiers of Bessarabia and those of other countries. The Lithuanian frontier had not yet been settled, and the League of Nations was trying to settle that question.<sup>9</sup> He was not sure where it stood at the present moment, but his recollection was that neither the Poles nor the Lithuanians had accepted the decision of the League of Nations. They could not accept the *status quo* there so long as the matter was in dispute. The treaties had not settled that frontier; therefore, it was not a question of existing treaties. With regard to the question of Eastern Galicia, which was still open, its position under the treaty did not correspond with the *status quo*. Under the Treaty of Saint-Germain, the sovereignty of Eastern Galicia was vested in the Allied and Associated Powers, but the frontiers of this country had not yet been determined by a treaty. This was not the case with Bessarabia, as a treaty on the subject had been signed.<sup>10</sup>

The speaker hoped that, before the end of the conference, territorial questions still in suspense could be settled; if not, there were questions there which would inevitably disturb the peace of Europe. If an unsettled frontier was left there, it could not be expected that Russia would not intervene, especially when territories are held in defiance of the League of Nations. Once another Power began to interfere it would be impossible to prevent other States interfering in their turn, and the result would be a continuance of the general European disturbance. Mr. Lloyd George emphasised the fact that when he accepted M. Bratiano's words he did not understand that he was accepting the *status quo* of the frontiers, right from the Baltic to the Black Sea. It was purely in order to challenge the Soviets to put their case on the other side, so that they themselves would be put in a position to adjudicate in territorial disputes still in suspense.

M. MOTTA thought it desirable to define more clearly the position of the neutral States at the Genoa Conference. Switzerland had accepted with the greatest pleasure the invitation to come to Genoa, and was the first country to accept the invitation. The Swiss delegation had come to Genoa keenly desirous of co-operating for the furtherance of international peace. It had been understood that certain questions, notably the existing treaties, could not be discussed at the Genoa Conference. From the point of view of the neutrals, which M. Motta had not been definitely requested to put forward, but which, he thought, he could fairly illustrate, the peace treaties were facts which the neutrals could not ignore, but which for them were *res inter alias acta*, as they had no share in their conclusion. This would not, however, hamper the valuable co-operation which the neutrals wished to contribute to the work of the conference.

M. Motta thought that M. Bratiano had perhaps involuntarily exaggerated the scope of the declaration made by himself and M. Branting. M. Motta understood that the object of the provisions of article 1 was to prevent the hostile propaganda carried on by the Soviets against the established social order. He thought that M. Bratiano's object could be achieved in another way, and that the pact of non-aggression would certainly give him full

<sup>9</sup> See No. 95, n. 7.

<sup>10</sup> See No. 77, n. 6.

satisfaction on this point. He had stated that he would abstain from voting because he did not wish to oppose M. Bratiano's amendment. His abstention was thus not a hostile but a friendly act.

M. SKIRMUNT said that he did not interpret M. Bratiano's amendments as not implying official recognition of official frontiers. This question was a much wider one, and M. Skirmunt hoped that he would be able to return to it later.

THE PRESIDENT (Signor Schanzer), in his capacity as Italian delegate, said that the actual scope of M. Bratiano's amendment was limited, and did not imply the recognition of existing facts. The conference was quite at liberty to discuss territorial questions, if it thought it desirable to do so.

M. BRATIANO asked that an exception should be made to Bessarabia, the frontiers of which were fixed by a treaty.

MR. LLOYD GEORGE said that these words expressed his opinion and that of the British delegation, but he hoped that M. Bratiano would not take this as a decision upon the question of the frontiers of Bessarabia. When the question of Bessarabia came up for discussion, the British delegation would certainly be with the Roumanian delegation on that subject, but that was not the question to be decided now.

THE PRESIDENT and M. BARTHOU supported Mr. Lloyd George's remarks.

THE PRESIDENT announced that article 1 might be taken as adopted, with the amendment proposed by the Roumanian delegation, and taking note of the abstention of M. Branting and M. Motta.

*(The meeting was adjourned at 1.10 p.m. to 4 p.m.)*

## ANNEX II TO No. 102

### *Goods and Services which could be Supplied by France.*

#### 1. *Agricultural Supplies.*

(a) *Seed-corn.*—France could supply Russia with corn, fodder and vegetable seed. The Soviets have already made large purchases of seed-corn in France.

(b) *Breeding-stock.*—Horses, cattle, sheep and swine, as well as farm-yard animals.

(c) *Agricultural machinery* and indoor and outdoor farm-yard equipment (threshing machines, traction engines, mowing machines, ploughs, harrows, rakes, scythes, pick-axes, hand-carts, &c., sorting and crushing machines, &c.).

(d) *Tractors.* Influential companies have drawn up detailed plans for the use of tractors in bringing large areas under cultivation. These plans can be put into effect immediately; several thousand machines could be supplied by the various companies with engineers and mechanics.

(e) *Supplies for Agricultural Industry.*—(Sugar mills, distilleries, dairies, oil mills, flour mills, &c.)

(f) *Manures.*—Phosphate and potash manures and anti-cryptogam products.

(g) *Missions*, and expert staff for veterinary stations, agricultural pathology, agricultural chemistry, &c.

## 2. *Industrial Supplies.*

The French manufacturers who helped to enrich various parts of Russia are ready to reopen their establishments as soon as they have received the necessary guarantees. There is no doubt that with the confidence felt in them they will be able to find in France or abroad the necessary capital to reopen their factories. These factories, which will be supplied with expert staff, will soon introduce general activity and prosperity.

## 3. *Transport.*

Russia at present lacks rolling-stock, which France could supply in considerable quantities (1,200 locomotives, 25,000 goods wagons, 3,500 passenger coaches and luggage vans). For the utilisation of this stock a special company could be established for hire, maintenance and repairs. Repair shops could be taken over on lease by this company to repair its own stock, which would first have been adapted to the Russian gauge, and to repair the stock already in Russia. The necessary skilled staff would be supplied by the company.

The peculiar position of France and the efforts she is obliged to make to reconstruct her devastated areas prevents her giving direct financial assistance at this time for the reconstruction of Russia.

# ANNEX III TO No. 102

## *Memorandum to be sent to the Russian Delegation (Final [text]).*

### *Preamble.*

The representatives of the Powers assembled at the Genoa Conference have given their most serious and sympathetic consideration to the problem of the restoration of Russia, with a view to re-establishing peace throughout the Continent of Europe. They sincerely desire to see friendly relations re-established between all the nations and to see the Russian people in a position to resume their historic place in the midst of the European Powers.

Russia has in the past constituted an important factor in the economic system of Europe, but she is to-day completely exhausted as a result of the events which have lowered her resources in the course of the last eight years. The elimination of Russia from European economic life has helped to increase the difficulties from which the world is suffering.

It is true that the annual world deficit in foodstuffs and in raw materials by reason of the fact that Russia no longer exports goods is being compensated for from other sources. In course of time that need would be met with regard to the rest of Europe, for commerce, like water, finds new channels when the old ones are blocked. But in Russia itself privation, misery and famine continue to spread, and thus constitute a sore and an ever graver

menace to Europe. That is the fact which the Powers keenly desire to avoid, as much for Russia as for the whole of Europe.

The reconstruction of Russia must, before all things, be carried out in the interests of Russia herself.

But Russia will not be able to regain prosperity without the help of the capital and of the commercial experience of the Western countries. As soon as security has been re-established in Russia, that is to say, when the citizens of foreign countries have some guarantee that they will be able to resume their former industrial commercial or agricultural undertakings and to create new ones with the certainty that their goods and their rights will be respected, and that the profits of their undertakings will be secured to them, they will hasten to bring to Russia the advantage of their technical knowledge, their labour and their capital.

Russia is a country which offers great possibilities. The economic disaster which she has undergone has paralysed her resources, but has not destroyed them. To enable Russia and the Russian people to stand up again, their equipment in tools must be improved. The agriculture of Russia, which is the basis of her economic life, must be restored, the mines must be reopened, the factories must resume work. The other nations of the world have played a great part in the development of Russia, and they will play the same part again as soon as Russia has created conditions which inspire confidence.

The needs of Russia are so varied that they cannot be satisfied without once more giving foreign producers and traders access to the markets of the country. At the present time Russia is urgently in need not merely of food products, clothes, medicine and other goods necessary for a normal existence, but also of locomotives, wagons, agricultural machinery, instruments, tools, and material for the refitting of her harbours. If these goods cannot be supplied to Russia, her transport system will be ruined, her industries will rapidly decay, and the yield of her soil will continue to decrease.

All these supplies can be furnished by industrial countries. As soon as security has been re-established for the former proprietors and debts have been recognised, the importation of these essential goods can commence. Capital will flow into Russia as soon as confidence flourishes once more. The initiative and experience of foreigners can then also contribute to the reconstruction of the country.

There are no countries incapable of rendering efficacious help in the task of the reconstruction of Russia, some by their financial aid, others by their speedy resumption of the industries or undertakings of public importance which they possessed there, others again by sending technical experts. All the countries represented at Genoa have given evidence of their intention to co-operate, each according to its means.

Their Governments are also desirous of hastening this task of reconstruction. The hesitations of business men who fear the loss of capital which they might invest in a country which is so lacking for the time being in normal means of production must be overcome. But as soon as the first pioneers have succeeded in their enterprise others will follow in their footsteps. It is these

considerations which constitute the reason and the justification for Governments to obtain the help which is required to carry out the first essays.

Arrangements have been made in several countries, the advantage of which Russia will be able to enjoy as soon as it is possible to conclude an agreement with her in conformity with the clauses following this preamble.

Several countries of Europe have determined to create an international corporation with an initial capital of £20,000,000 sterling.<sup>11</sup> Its aim will be to finance undertakings, the object of which would be the reconstruction and the development of Europe, and which would experience difficulty in obtaining for themselves the resources needed for that object. The sum mentioned may seem inadequate to the greatness of the work to be accomplished, but it represents only the capital subscribed by the national companies created in each country. Behind this capital stand the resources of every country, and these resources are ready to finance operations approved by the International Corporation.

Certain countries, moreover, are in a position to make immediate substantial advances to those of their nationals who carry on trade with Russia or who take up their residence there with that object. In addition to these facilities, private credits must be mentioned, which industries will not fail to obtain from national banks in the case of concerns capable of resuming their operations in Russia with success.

In Great Britain the Trade Facilities Act<sup>12</sup> guarantees the capital or the interest of financial undertakings situated abroad or in the country itself for helping in the economic regeneration of Europe. If the Soviet Government is willing to encourage such enterprises, this Act could be applied to Russia. The sum provided by this Act is £25,000,000 sterling. If necessary, the British Parliament could be asked to increase the total amount to be put in this way at the disposal of exporters.

Apart from the facilities accorded by virtue of the Act referred to, a system of credit<sup>13</sup> exists in Great Britain, with a view to facilitating the exportation of British goods. According to this scheme, the British Government is authorised to guarantee transactions up to £26,000,000 sterling with a view to exportation, and of these £26,000,000, £15,000,000 are still available. The British Government is ready to ask Parliament to prolong the operation of the law in question.

France, in view of the efforts which she is compelled to make for her own devastated regions, is unable at the moment to make any direct financial contribution to the reconstruction of Russia. The French Government has, nevertheless, accepted at Cannes the principle of a French participation in the International Corporation equal to the English participation.<sup>14</sup> She is able to offer to Russia seeds of every kind. Contracts have already been concluded with the Soviets on this subject. Precise plans have been prepared for the despatch and utilisation of tractors. Several thousand machines could be sent, as well as the necessary technical staff. Missions and technical

<sup>11</sup> See No. 14.

<sup>12</sup> See No. 81, n. 5.

<sup>13</sup> Ibid.

<sup>14</sup> See No. 16, Appendix II. In Schedule 'A' France agreed to contribute on the same scale as Great Britain.

staff can be sent for the creation of veterinary stations, of vegetable pathology and of agricultural chemistry.

In the matter of transport France is in a position to offer rolling-stock (about 1,200 locomotives, 25,000 goods wagons, 3,500 passenger coaches and baggage wagons). A special company might be created for hiring, maintenance and repairs; repairing workshops might be taken on lease by the company which would supply the technical staff.

Finally, French manufacturers who have contributed in large numbers to the enrichment of various parts of Russia will be able to resume work in their factories as soon as they receive the necessary guarantees. The confidence which they inspire will undoubtedly enable them to find in France and elsewhere the necessary capital and the technical staff which they require.

Italy, by subscribing 20 per cent. of the capital of the International Corporation, intends to co-operate financially on a considerable scale both in the present objects and in the future development of that organisation.

Italy is also ready to give her support to any enterprise undertaken with a view to re-establishing transport by water and by rail, and to organising the sale of Russian products. She is also willing to co-operate, by means of her agricultural organisations, and with her experience, in the regeneration of agriculture, and she is prepared to act with Russia in helping to equip her industry and agriculture.

Offers of assistance have also been made by Japan, and the Government of that country, with the object of encouraging trade with Russia, has granted a credit of 8,000,000 yen to the Russo-Japanese Association of Commerce. The Japanese Government intends to carry out other schemes if it should consider measures to be necessary for facilitating the commercial relations between the two countries.

The Belgian Government has voted a special credit of 250,000,000 fr. in order to facilitate exportation. The greater part of that sum is available, and could be used for the benefit of Russia.

The Belgian Government has decided to submit to Parliament a Bill to enable the Belgian Ministry of Finance to participate in the formation of the International Corporation in the proportion of 20 per cent. of the capital of the corporation.

Finally, if the alterations in the system at present in force in Russia are such as to create confidence in workmen, engineers and capitalists, private initiative will certainly find in Belgium the enormous sums required to repair, reconstruct and put into action Belgian factories and mines in Russia. It has been estimated that these sums will reach a total of 1,000,000,000 fr.

Time is an indispensable factor in the reconstruction of Russia, but the important thing is to begin; as soon as the first impulse has been given and the first pioneers have settled in Russia, and made it known that they have succeeded, and as soon as they have realised and brought it home to their compatriots that the way is open and secure, others will follow in numbers which will be all the greater because that way has been closed so long.

*April 28, 1922.*

P.C.S. 5] *Meeting of Members of the Sub-Commission of the First Commission held in the Palazzo Reale, Genoa, on April 29, 1922, at 4 p.m.*

**PRESENT:** *President:* Signor Schanzer.

*Belgium:* M. Jaspar.

*British Empire:* The Right Hon. D. Lloyd George, O.M., M.P.

*France:* M. Barthou.

*Italy:* Signor Schanzer.

*Japan:* Viscount Ishii.

*Poland:* M. Skirmunt.

*Roumania:* M. Bratiano.

*Sweden:* M. Branting.

*Switzerland:* M. Motta.

The meeting opened at 4 P.M.

THE PRESIDENT proposed that the French<sup>1</sup> and English texts<sup>2</sup> of clause 2 of the draft memorandum should be read.

This proposal was adopted.

M. BRATIANO said that before embarking on the discussion of clause 2, he wished to move an amendment to the text of the clause. He proposed that paragraph 6 of clause 2 of the British draft should be worded as follows: 'Nevertheless, this clause shall not apply (1) to the obligation on the Russian Government to restore deposits regularly made with the Russian Government during the war; (2) to claims on behalf. . . ' He asked that a similar modification should be made in the French draft.

M. BARTHOU said that he wished to make a general observation. Clause 2 dealt with inter-Governmental debts; clause 3, on the other hand, dealt with debts of Russian Governments to foreign nationals. These were two different matters which should not be confused. He said, therefore, that he would only touch on the first of these, which was the only one raised by clause 2. The draft proposed by the French delegation included a general principle and its application. The general principle was stated in the first paragraph as follows: 'The Russian Soviet Government accepts the financial obligations of its predecessors, that is to say, of the Imperial Russian Government and of the Russian Provisional Government, towards foreign Powers.' Whatever the wording of this clause, M. Barthou thought that it could raise no difficulties as it only reproduced the first paragraph of the third point of the Cannes resolutions.<sup>3</sup> He then dealt with the means of applying this general principle. He pointed out that, on the one hand, there were the loans from other States contracted by the Russian Government, and, on the other, claims made by the Russian Government for damages sustained by it. The Russian Government claimed an indemnity for damage suffered through the military expeditions which had been made into its territory. The French delegation agreed with the British delegation in refusing to recognise these

<sup>1</sup> See No. 100, Annex II.

<sup>2</sup> Ibid., Annex I.

<sup>3</sup> No. 6, Appendix.

claims. The Allies would otherwise have to make important claims in respect of the considerable injury which had been caused them by the signature of the separate peace of Brest-Litovsk by the Russian Government.<sup>4</sup> The Allied Governments had foregone these claims, and both these types of claims, therefore, ceased to exist. This was noted in the third paragraph of clause 2 of the French draft. 'The Russian Soviet Government, on the one hand, and the other Powers on the other, will make no claim upon each other by reason of past acts of the Russian Soviet Government with regard to the other Governments or of past acts of the other Governments with regard to the Russian Soviet Government.'

There could, therefore, be no difficulties, said M. Barthou, regarding the first paragraph, which laid down the general principle, and the third, which fixed a kind of compensation. The difficulties arose over paragraph 2. Two proposals were before the meeting—that of the British delegation, which established a kind of contract to apply to all the debts, and that of the French delegation, which provided for easy terms of payment. M. Barthou said that in this connection he wished to refer again to the attitude of the French Government to the note presented to the Russian delegation on the 15th April.<sup>5</sup> He recalled the fact that the French delegation had always maintained that this note was semi-official, that it might serve as a basis for negotiation, but that these negotiations could only be entered into with a Government which had first accepted the Cannes resolutions. The Russian delegation had twice failed to keep to the undertaking which it had given in this matter. In M. Chicherin's letter of the 20th April to Mr. Lloyd George,<sup>6</sup> it was stated that all the proposals of the Russian Government were subject to the *de jure* recognition of the Soviet Government by the other Powers. This statement was reiterated by M. Rakowsky on the 24th April before the Committee of Experts.<sup>7</sup> The Russian Government had thus replied to the proposals of the 15th April by going back on what they had accepted at the very beginning of the conference. The French delegation had examined the British draft with the keenest desire to find a solution, but there was one point on which it was impossible for it to yield, namely, the question of reduction. M. Barthou said that he must insist on the French wording of paragraph 2: 'In consideration of the present economic and financial condition of Russia and the necessity of facilitating the reconstruction of Russia and the rehabilitation of her credit.' He nevertheless proposed the following amendment to the second part of the paragraph: 'The creditor Powers are willing to allow Russia easy terms of payment, to consider, in conjunction with the Russian Government, a moratorium and eventually to take all appropriate relief measures.' M. Barthou pointed out that the word 'eventually' occurred in the note of the 15th April. If the French delegation wished to make difficulties, it could take this note as it stood, accept the principle of the reduction of debts, but fix

<sup>4</sup> See No. 74, n. 6.

<sup>5</sup> See No. 74, Appendix.

<sup>6</sup> See No. 81, Appendix.

<sup>7</sup> M. Barthou was referring to M. Rakowsky's statement at the meeting of the Committee of Experts on April 23, 1922 (see No. 90).



this reduction at the lowest possible percentage, which would destroy the very principle of reduction. On the contrary, however, the French delegation wished to be entirely loyal in its attitude. It was willing to grant the moratorium immediately and eventually to take appropriate relief measures. These measures might consist in reducing Russia's war debts to France. That was the utmost concession to which the French delegation could agree. This attitude was dictated by the necessity not only of not pledging the Government, but also of not pledging the actions and responsibility of the French Parliament. M. Barthou concluded that the credit of France belonged, not to the French delegation, but to France, and any compromise on this subject affected the sovereignty of France. The French delegation could not weaken this sovereignty, and this was one of the reasons for which it could not accept the British proposal.

MR. LLOYD GEORGE asked what relief measures the French delegation had in mind.

M. BARTHOU explained that they might consist, for example, in allowing the Russians to pay their debts in kind or in an actual decrease in the amount of the debts themselves.

MR. LLOYD GEORGE said that he was not quite clear even now, in spite of the very lucid speech of M. Barthou, exactly what the French position was. In some respects it appeared to be identical with that of the British delegation, but there were other words which would qualify that statement, and until he saw the actual words proposed by M. Barthou, he could not give an opinion. He would therefore confine himself to stating the reasons why the British delegation had taken that attitude. With regard to what M. Barthou said, that he had no right to barter away the French Parliamentary position, the same thing applied to the British delegation. They could only recommend to their Parliament, and the document, whatever it was, that was signed there must be submitted to the British Parliament. The latter could refuse to ratify, but that was applicable to every clause. Therefore, from that point of view there was no distinction between the French and the British positions. Great Britain was more deeply concerned in the possible reduction of war debts than any other country. Great Britain had advanced to Russia an amount which, with interest, came to something like £600,000,000 sterling. The next highest claim was £120,000,000. Therefore, the British interest was at least five to one of the very next claim. If the British delegation pressed for a definite statement regarding the reduction of war debts, it was not because it was in the British interest to reduce; it was because Great Britain had given her word that she meant to do so, and she regarded it as a matter of honour to stand by her word. The principle of reduction, Mr. Lloyd George continued, was not a British proposal. He described how the present position arose. The first discussion on Russian counter-claims took place at Boulogne.<sup>8</sup> M. Poincaré and himself then agreed that perhaps it was not worthwhile wasting time over contesting these counter-claims. It was agreed, however, that the liabilities of the Russian Government should be

<sup>8</sup> See No. 34.

decreased by a substantial reduction of the war debts of the Russian Government to the other Governments. The figure which was indicated in the conversations at Boulogne was something like 50 per cent. M. Poincaré accepted that position. Following the Boulogne discussion there was a meeting of the experts of the inviting Powers in London.<sup>9</sup> Mr. Lloyd George believed that these experts had in their possession the *procès-verbal* of the Boulogne conversations, and that that was the basis on which they worked. Articles 5 and 6 of the London report<sup>10</sup> were based on the Boulogne conversations. They definitely recognised that there should be a writing down of the amount of the Russian liability as against any counter-claims that Russia might have. The experts' report was officially handed over to the Russian delegation.<sup>11</sup>

Mr. Lloyd George then recalled the private conversations between the representatives of France, Belgium, Italy and Great Britain, which took place at Genoa on the [13]th<sup>12</sup> and 15th April.<sup>13</sup> After discussion on the 15th April, they handed over to the Soviet Government a document making clear exactly what the demands of these Powers were, which was to be a test of the good faith of the Russian Government. At the request of the creditor Governments, the Russian delegation sent the note of the 15th April to Moscow. The reply to this document was contained in M. Chicherin's letter dated the 20th April. M. Barthou said that that reply was of a character which absolved him from his responsibility for the Boulogne conversations, for the experts' report and for the note of the 15th April. M. Chicherin's letter of the 20th April was considered together,<sup>14</sup> and M. Barthou never said then that he no longer considered himself bound by the document of the 15th April: on the contrary, it was unanimously agreed that the Russian reply justified the continuance of negotiations. Mr. Lloyd George admitted that it was difficult to carry out undertakings, but it was a very dangerous precedent not to adhere to them. The Allies might shortly be called together to consider measures to be taken against Germany for not carrying out the obligations she had incurred under another instrument. How could they do that if they went back and treated as a scrap of paper a document which they themselves formally and solemnly handed to the Soviet Government as a test of its good faith. It was a test also of the good faith of the Allies, and Mr. Lloyd George refused to go back on the proposals made in this document. He could not face the British Parliament having gone back on something which he had solemnly signed in the name of the country he represented. He would be sorry if they could not agree, but he would rather that should happen than that they should go back upon a pledge they had given, not once but twice. Mr. Lloyd George said that he did not care what the words were, he was not opposing the British text to the French text. But as far as Great Britain was concerned, he must make it quite clear that it must be a text that would carry out definite pledges given before the conference and during the conference before negotiations with the Soviet Government were undertaken. It was absolutely necessary that the words adopted should be clear and

<sup>9</sup> See No. 56.

<sup>10</sup> Ibid., Appendix.

<sup>11</sup> See No. 69.

<sup>12</sup> See No. 71.

<sup>13</sup> See No. 73.

<sup>14</sup> See No. 82.

definite and leave no room for misunderstanding. To Mr. Lloyd George these conditions appeared vital, and at no cost could he withdraw them.

THE PRESIDENT said that he wished immediately to make a declaration on behalf of the Italian delegation. Italy was relatively less concerned than other States in the question of war debts, but she was equally interested with the other States in the question of counter-claims. The Italian delegation thought it impossible to go back on the undertakings made on the 15th April regarding war debts and the Russian counter-claims. The concession made to Russia in view of her economic conditions should be regarded as final.

As President of the meeting, Signor Schanzer thought he should compare the two opposing points of view, if, as he believed, agreement was impossible. He then proceeded to consider the paragraphs in question. Paragraph 1 of the French text contained a statement of principle which had no equivalent in the English text, but it would be easy to reach agreement on this point. The essential provisions were contained in paragraphs 2 and 3. Paragraph 3 struck a balance between the Russian counter-claims and the damages for which the Allies would be entitled to demand reparation from Russia resulting from the signature of Brest-Litovsk. In his opinion, agreement could also easily be reached on this point. The only question remaining was that of war debts. The President recalled the fact that the French delegation, for purposes of agreement, had proposed the following wording: 'The creditor Powers are willing to allow Russia easy terms of payment, to consider in conjunction with the Russian Government a moratorium, and eventually to take all appropriate relief measures.' The British proposal, on the other hand, did not provide for a moratorium, as it admitted without demur the principle of reducing war debts. However, according to M. Barthou's explanations, the relief measures mentioned in the French text might go as far as the reduction of war debts, on condition, of course, that the French Parliament approved such measures.

The President thought that the two opposing texts did not really differ very greatly. He earnestly asked the French delegation if it could not take a further step forward and thus again reach the joint position defined in the note of the 15th April: that was to say, to agree finally to the reduction of war debts instead of regarding it as optional and making it dependent on the consent of the Governments concerned. If this principle were admitted, agreement on methods of practical working appeared simple. It was on this point, continued the speaker, that the real divergence between the two attitudes appeared. The French Government reserved the right to determine on its own authority the methods of future reduction, while the British Government accepted the decision of a court of arbitration. In conclusion the president declared that the Italian delegation, like the British delegation, felt it impossible to go back on the principle of reduction which was accepted as the result of private conversations with the Russian delegation. He again asked the French delegation to make every effort to accept this point of view.

VISCOUNT ISHII said that the note of the 15th April had been mentioned

several times. As to the merits of this note there seemed to be some difference of opinion between the French and British delegations. The Japanese delegation took no part in its preparation.<sup>15</sup> Japan was therefore not bound by the contents of the note. As the text of the note included the phrase 'creditor countries,' and as Japan was one of the creditor countries towards Russia, the Japanese delegation felt constrained to make a formal reservation to the effect that Japan kept her liberty of action.<sup>16</sup> Regarding the substance of the difference, Viscount Ishii was happy to think with the president that the differences between the French and British texts are more superficial than real. Mr. Lloyd George had said that he did not ask for the British text. On the other hand, M. Barthou said that he was inclined to consider the reduction of war debts. There was therefore no fundamental difference there, and while the two texts might differ in form, at bottom they expressed the same opinion. The speaker thought that by the note of the 15th April the four Powers had given no promise to the Russian delegation that the reduction of debts should be judged by arbitration. In that case an understanding between the British and French texts could more easily be arranged.

THE PRESIDENT noted Viscount Ishii's declaration and stated that it would be inserted in the minutes.

M. BARTHOU felt it the more necessary to define the meaning of the French proposal, as Mr. Lloyd George himself had stated that he had given it inadequate consideration, and had been unable to form a final opinion regarding it. First of all, however, he felt bound to deal with certain statements by Mr. Lloyd George, which might be interpreted as expressions of disapproval of the attitude of the French delegation. If the British delegation considered itself bound by the note of the 15th April, it was entirely free to hold this view, but the French delegation did not feel itself similarly bound. In the opinion of the latter, the note was in no way official, and could only be regarded as an indication to the Russian delegation. According to Mr. Lloyd George's own words, this note, in the minds of its authors, was to be a test of the good faith of the Russian Government. When Mr. Lloyd George used the words 'good faith' and 'honour,' M. Barthou felt sure that no reference was made to the good faith and honour of the French delegation.

MR. LLOYD GEORGE said that he wished to make it quite clear immediately that he was not criticising any delegation, but simply stating the British position. He said that until he saw the *rédaction* of the French delegation, he could not criticise their position.

M. BARTHOU was glad to note Mr. Lloyd George's statement. In the British Prime Minister's speech, however, he had observed an error. Mr. Lloyd George stated that the French delegation had accepted in full M. Chicherin's note of the 20th April. In the course of the meeting which considered this document, M. Barthou made a formal protest against M. Chicherin's claim to make the acceptance of the conditions offered him conditional upon the *de jure* recognition of the Soviet Government. Later, in view of M. Rakowsky's equivocal attitude in the Committee of Experts, M. Seydoux

<sup>15</sup> See No. 71, n. 13.

<sup>16</sup> See No. 74, n. 22.

repeated the protest and even withdrew from the committee.<sup>17</sup> As for the London experts' report, all the delegations declared that they considered themselves in no way bound by its contents. If Mr. Lloyd George quoted the text of articles 5 and 6 of that report against the French delegation, the French delegation was most anxious to know if he regarded himself as bound by the articles of that report relating to private property. The London report bound no one. It could no more be cited against the French than against any other delegation. The Boulogne conversations, continued M. Barthou, were strictly confidential and under any circumstances they could hardly be invoked in the present discussion. M. Barthou wished to point out that if Mr. Lloyd George's attitude at Genoa was the same as it had been at Boulogne, it was incorrect to state that M. Poincaré had agreed to the British point of view regarding war debts. The point on which the two parties agreed was the principle of complete recognition of pre-war debts, and the balancing of the Russian counter claims against the injury to the Allies caused by the Peace of Brest-Litovsk. With regard to war debts, however, M. Barthou stated that Mr. Lloyd George had advocated the point of view which he now supported, but that M. Poincaré reserved his freedom of action. M. Barthou proposed that a committee of lawyers should be consulted as to the interpretation of the *procès-verbal* of the Boulogne conversations. On the main subject of the discussion, M. Barthou observed that Mr. Lloyd George's proposal amounted to granting the Soviets a concession of indefinite scope. The British text agreed to the reduction of debts, but deferred decision regarding the proportion in which these debts should be reduced. The French delegation proposed at first a moratorium, then relief measures which might eventually go as far as the reduction of debts. The position taken up by the French delegation was therefore not only entirely loyal, but also entirely clear. As the two delegations were equally animated by a desire for conciliation, their efforts to reach agreement appeared to be certain of success.

MR. LLOYD GEORGE said that, while not intervening again in order to continue the debate uselessly, he wished to make a suggestion. First, he wished to say that he was making no criticism upon the good faith of any country. Each country must be its own judge of the conditions under which it can go back either on a document it had signed or on a word it had passed. He had only stated the British conditions; Great Britain could not go back on the contents of the note of the 15th April. Secondly, Mr. Lloyd George accepted M. Barthou's proposal, that the *procès-verbal* of the Boulogne meeting should be submitted to some distinguished jurists to decide whether M. Barthou's interpretation of Mr. Lloyd George's was accurate upon M. Poincaré's attitude. Mr. Lloyd George said that he was not dependent upon his memory, but upon a record taken by a very experienced secretary. This record definitely stated that M. Poincaré agreed with Mr. Lloyd George's view about war debts, and it was quite clear that the London experts were of the same opinion and had proceeded to act upon it. M. Barthou had wanted to know whether Mr. Lloyd George was prepared to stand by the

<sup>17</sup> See No. 87.

London experts upon the question of private property. He was glad to be able to remind M. Barthou that they had agreed to refer an entirely fresh suggestion to a committee of French, British and Belgian jurists<sup>18</sup> to see if they could not frame something on that basis which would bring all the delegations together. As a result of this discussion an agreed text on private property had been produced. The British delegation accepted this document, and Mr. Lloyd George hoped that the French and Belgian delegations would also accept it. If agreement could be realised with regard to private property, the most difficult question before the conference, why should not the same thing have been done with reference to the question of war debts? As M. Barthou had said, there was no difference in substance between the two proposals. Mr. Lloyd George consequently suggested that articles 5 and 6 of the London report, which represented substantially the general view adopted by the inviting Powers on the question of war debts should be given to the jurists, and that they should be asked to prepare a draft.

M. JASPAR observed that Belgium was not concerned in the question of war debts. He consequently proposed that a Japanese jurist be substituted for the Belgian in view of the fact that Japan was a creditor of Russia for war debts.

MR. LLOYD GEORGE agreed to this, but proposed that a representative of Italy should be added to the committee.

THE PRESIDENT asked Mr. Lloyd George if his proposal was to instruct the jurists to prepare a new text for article 2 on the basis of articles 3 and 6 of the London report, and Mr. Lloyd George replied in the affirmative.

As no objection was raised the president observed that the delegates were agreed on the proposed procedure.

M. BARTHOU then returned to the question of the *procès-verbal* of the Boulogne conversations. He thought it undesirable to submit it to the jurists. There was one *procès-verbal* at least of these conversations drawn up by Sir Maurice Hankey, and another drawn up by a member of M. Poincaré's staff. These two texts had been compared and made to agree. It would, however, be difficult to submit to the jurists only that part of these *procès-verbaux* referring to the views of Mr. Lloyd George and M. Poincaré on war debts. It would certainly be undesirable to submit this confidential document to discussion by a committee. M. Barthou also asked that the Committee of Jurists should take as the basis of its draft not only the London report, but also the French and British drafts which had been discussed.

M. BRATIANO asked whether the amendment which he had moved at the beginning of the meeting was adopted. The sub-commission decided to adopt this amendment and to instruct the Committee of Jurists to take it into account in drafting the new text.

MR. LLOYD GEORGE suggested that the commission should now take the text which had been agreed upon by the experts with regard to private property.

M. BARTHOU and M. JASPAR said that they had not been able to examine

<sup>18</sup> See No. 101.

this text closely, and as it concerned a very important question, asked that discussion of it should be deferred until the next day but one. Further they considered it essential in the interests of freedom of discussion that the texts drafted by the jurists should not be communicated to the press. The delegates supported this point of view.

After a short discussion it was decided that the next meeting should be held on the 1st May, at 11 A.M., to examine the draft of clause 2 submitted by the jurists.

The meeting adjourned at 7.20 P.M.

## No. 104

P.C.S. 6] *Meeting of Members of the Sub-Commission of the First Commission held on May 1, 1922, at 11 a.m., in the Palazzo Reale, Genoa.*

PRESENT: *President: Signor Facta.*

*Belgium: M. Jaspar.*

*British Empire: The Rt. Hon. D. Lloyd George, O.M., M.P.*

*France: M. Barthou.*

*Italy: Signor Schanzer.*

*Japan: Viscount Ishii.*

*Poland: M. Skirmunt.*

*Roumania: M. Bratiano.*

*Switzerland: M. Motta.*

The meeting opened at 11 A.M.

SIGNOR SCHANZER took the chair as provisional president. He announced that M. Chicherin had sent to Signor Facta, the president of the conference, a note which he thought it unnecessary to read, as its text had already been published in the newspapers. (Annex I.) He then read Signor Facta's letter to M. Chicherin (Annex II), and pointed out that the president of the conference had given a provisional reply. It was for the meeting to decide if a more complete reply was necessary. Signor Schanzer observed that the second part of M. Chicherin's letter was based on the incorrect statement that the sub-commission had held official sittings at which the Russian delegation was not represented, and that the inviting Powers had thus gone back on their acceptance of the letter of the 20th April.<sup>1</sup> This statement was incorrect; there was therefore no need, as Signor Facta had also stated in his letter, to discuss the Russian memorandum.<sup>2</sup> The president of the conference had as yet received no reply from M. Chicherin. Signor Schanzer was therefore of the opinion that there were no further steps to be taken in this connection.

M. BARTHOU quite understood that the president of the conference had not given a final reply, as it was for the meeting itself to decide on its final attitude to the Russian delegation. M. Barthou thought that it should be

<sup>1</sup> No. 81, Appendix.

<sup>2</sup> No. 89, Annex I (see also Nos. 86 and 87).

clearly stated that the memorandum of the Russian delegation could under no circumstances be examined by the commission. If the sub-commission agreed at any time to consider the Russian memorandum it would thereby give up the basis of discussion which had been unanimously accepted, i.e., the Cannes resolution.<sup>3</sup>

SIGNOR SCHANZER thought that he might state on behalf of the president of the conference that the latter would find no difficulty in supporting the point of view which M. Barthou had put forward. The French delegation could under no circumstances agree that the sub-commission or the conference should deal with the Russian memorandum.

M. BARTHOU then said that he wished to read a letter which he had himself received from M. Chicherin (Annex III). He added that M. Chicherin's letter obviously referred more particularly to France, but he thought it desirable to bring it to the knowledge of the first meeting after its receipt in order to enable it to judge whether the letter had a more general application, and whether it did not affect all the Powers represented on the sub-commission. The speaker then declared that if M. Chicherin was inspired by a sincere desire to remove all misunderstanding, there was a misunderstanding which, in the name of the French delegation, he himself wished to remove. Contrary to M. Chicherin's statement, France had never evinced hostile feelings towards the Russian nation. On the contrary, France wished to resume the friendly relations which she had maintained with the Russian nation before the war and up to the end of 1917. France had simply opposed the Government which concluded the Treaty of Brest-Litovsk.<sup>4</sup>

At this moment Signor Facta entered the meeting and took the chair.

MR. LLOYD GEORGE said that a copy of the letter which M. Barthou had just read had also been sent to the British delegation. He remarked that this letter was friendly in tone and that on the whole it was fairly satisfactory.

THE PRESIDENT pointed out at this moment that the delegates had met to continue their consideration of the draft of the memorandum to be sent to the Russian delegation. He therefore asked them to begin the discussion of article 2.

SIGNOR SCHANZER observed in this connection that the French and English texts of article 2, drafted by the committee of jurists<sup>5</sup> were not absolutely identical. (Annex IV.) He pointed out that the last clause of the English text regarding Roumania was not included in the French text. The clause in question ran as follows: 'The Russian Soviet Government will restore to the Roumanian Government the deposits placed by the said Government in Moscow.'<sup>6</sup> He asked that a final text should be drawn up.

M. BARTHOU stated that the French delegation accepted the new text drafted by M. Fromageot, M. Cattier and Sir Cecil Hurst.

SIGNOR SCHANZER remarked that in his opinion it was desirable in this case to add to the French text the clause specially dealing with Roumania.

MR. LLOYD GEORGE said that he wished to have a general discussion

<sup>3</sup> See No. 6, Appendix.

<sup>4</sup> See No. 74, n. 6.

<sup>5</sup> See No. 103.

<sup>6</sup> See No. 47, n. 3.



before coming to the Roumanian amendment. He was not altogether satisfied with the draft; he thought it would work out all right in the end because he had no doubt that the time would come when all the Allies would have to consider the question of war debts. Great Britain was to a certain extent a debtor nation although in the main a creditor nation. The British Government, however, was always willing and anxious to enter into discussions upon the subject, that would settle the question of debts upon a satisfactory basis. Until this was done Mr. Lloyd George thought that it would be very difficult to restore the economic condition of Europe. He was glad that certain conditions had been introduced into the text to be submitted to the conference, which would have the effect of postponing the consideration of the amount of the reduction of the Russian debt. He did not, however, conceal from himself that these conditions were a departure to a certain extent from the agreement of the 15th April.<sup>7</sup> However, on behalf of the British delegation he consented to refer this matter to the commission of five experts. But his consent was a provisional one, and his final assent would depend entirely upon the attitude adopted by other Governments towards other drafts settled by practically the same committee.

SIGNOR SCHANZER, on behalf of the Italian delegation, said that he was prepared to accept the new wording provisionally, but his consent was subject to the decisions come to on the other points. He thought that there was no fundamental difference between the present text and that included in the note of the 15th April. It was rather a question of putting things in a different way.

M. JASPAR said that Belgium made no advances to Russia during the war. Belgium was also in no way responsible for what had occurred in Russia, since she had taken no share in the expeditions against this country. The position of Belgium in this respect was thus quite clear.

M. BARTHOU said once more that he accepted, on behalf of the French delegation, the text presented by the jurists.

[VISCOUNT ISHII] made a similar declaration on behalf of the Japanese delegation.

M. BRATIANO notified his adhesion to the proposed text on condition, naturally, that it included the clause specially relating to Roumania.

M. JASPAR said that he was glad to see the principle of restoration of property thus recognised, in so far as this property belonged to Roumania.

M. MOTTA said that Switzerland was not directly concerned in the question, but he, too, was glad that the countries concerned had been able to come to an agreement.

THE PRESIDENT observed that all the delegations present were agreed in approving article 2 in the French text with the insertion of the final clause of the English text regarding Roumania. He asked the meeting to proceed to the discussion of article 6, the wording of which had also been submitted to the committee of jurists. (Annex V.)

M. JASPAR said that article 6 was certainly the most important and the most

<sup>7</sup> See No. 74, Appendix.

difficult in the memorandum, not only because of the difficulties of principle which it raised, but also because of its possible effects on the economic rehabilitation of Russia and on the restoration of peace and confidence. Before going to the root of the matter he wished to make two preliminary observations. First of all, he pointed out that Belgium accepted the idea of the Genoa Conference in all sincerity, and that she was endeavouring to contribute to its success. The Belgian delegation had never failed to take an active part in all the work of the conference. During the discussions between the Allies she had endeavoured before all things to reconcile opposing demands and points of view, and the Belgian delegates and jurists had frequently been thanked for their work of conciliation. In the second place, the Belgian delegation had clearly indicated what effective material assistance Belgium was prepared to grant to Russia. Belgium would participate in the International Corporation,<sup>8</sup> she would take part in the restoration of Belgian industrial and financial undertakings in Russia, and she was also prepared to devote to the restoration of Russia the credits which she had opened to encourage exports; at the present time these were almost untouched, and amounted to about 250,000,000 fr. For a country such as Belgium, which had suffered much from the war, this was a notable effort. It would be both incorrect and unjust to suggest that Belgium was in any way hostile to the work which the Genoa Conference was endeavouring to carry out. M. Jaspar said that Belgium had most important interests in Russia. Belgian industry had sunk a capital of 2½ milliard gold francs in Russian undertakings. That was exclusive of that part of the Russian debt which had been placed in Belgium, which amounted to about 1 milliard francs. M. Jaspar quoted examples to illustrate the importance, from the point of view of the economic future of Russia, of the work which Belgium could carry out in that country, where Belgium owns fifty-six mining undertakings, sixty-six engineering works and foundries, twenty-five glass or fireclay works, thirteen public service undertakings and fifty miscellaneous industrial establishments, making a total of 160 industrial undertakings. To illustrate further the importance of Belgium's share in Russian industry, M. Jaspar gave the proportion of Russian production accounted for by Belgian undertakings. These were as follows: in the coal industry, about 6,000,000 tons per annum, which was one quarter of the total coal output of Belgium; Belgian undertakings produced one-third of the total Russian output of pig-iron; 42 per cent. of the output of plates and girders; 75 per cent. of that of chemical products; in the glass industry, 50 per cent.; window glass, 30 per cent.; mirror and bottle glass, 20 per cent. The Belgian undertakings in Russia are therefore of the greatest importance in the rehabilitation of this country. These undertakings naturally employed thousands of engineers, technical and manual workers. Two of the largest Belgian undertakings employed 55,000 Russian workers. It was only necessary to restore these undertakings in one form or another to their former owners with the guarantee that they could conduct them in the normal way, and there was no doubt that the

<sup>8</sup> See No. 34, minutes 10 and 11.

former proprietors would bring in new capital. Groups of Belgian manufacturers would be prepared to provide a large sum, up to 1 milliard francs, provided they could resume possession of the undertakings in Russia, put them in working order again and obtain the necessary guarantees. If this question could be satisfactorily settled, Belgium could take an important part in the restoration of Russia. M. Jaspar agreed with the British Prime Minister that the Cannes resolution should be considered as a whole, and not article by article. If, under article 1 of this resolution, the Powers undertook to respect the internal government of other States, Russia, under paragraph 2, had to accept definite conditions in order to obtain the help of foreign capital. The internal government of Russia and the system which should facilitate the intervention of foreign capital were thus entirely distinct. M. Jaspar recalled the fact that the principle of restitution of undertakings was introduced into the final draft of the Cannes resolution on his initiative.<sup>9</sup> This principle had been unanimously adopted. Everyone had recognised that the restitution of undertakings was most important if the return of foreign capital to Russia was to be facilitated. An indemnity should be accepted only in default of restitution or restoration of property. This principle had also been embodied in the memorandum of the meeting of experts in London,<sup>10</sup> which was drafted as the result of unanimous agreement.

M. Jaspar then dealt with the wording proposed by the three jurists. He reminded the meeting that these jurists were not appointed by the Sub-Commission of the First Commission, but by Mr. Lloyd George, M. Barthou and himself, and that their work was strictly semi-official. He then stated that the text proposed had its advantages in some respects, but that some of its provisions might compromise the final success of the conference. For example, he declared that the procedure proposed regarding the restitution of property would be too lengthy and complicated and would hinder the economic restoration of the country considerably. With regard to compensation, M. Jaspar said that the general principle upheld by the Belgian delegation was that the owner should have the enjoyment of property which he previously possessed, in default of which he would be entitled to compensation. With regard to landed property, he quite understood that compensation would be possible, but the case of industrial establishments was a different matter. For example, an engineering works could not be replaced by another unless the latter were taken away from its owner. Moreover, if foreign capitalists were given bonds in compensation for establishments which had disappeared, it would be very difficult to find other capitalists to supply necessary new capital. It was in the interests of Russia herself that an appeal to foreign capitalists should be possible. In order to allow for the necessities which he had indicated, M. Jaspar proposed that article 6 of the draft under discussion should be worded as follows:

‘In order to encourage the restarting of foreign economic activity in Russia, and to permit foreign States to furnish to Russia the aid indicated

<sup>9</sup> Cf. No. 6.

<sup>10</sup> No. 56, Appendix.

in the preamble, and thereby to facilitate the restoration of the country, the Russian Soviet Government accepts the following arrangements with respect to private property:—

‘(a) If the property is still in existence and can be identified, the owner will receive from the Soviet Government the right of enjoyment of it on conditions equally favourable to him, in respect of use and free disposal, with those resulting from his former rights.

‘(b) With regard to land, the Soviet Government may, instead of granting right of enjoyment, offer the proprietor compensation, except in the case of land needed for the conduct of an industrial establishment managed by him. In case of disagreement as to the land required for this purpose, the Mixed Arbitral Tribunal will decide.

‘(c) In the case of property no longer in existence or which cannot be identified, the Soviet Government will offer the proprietor compensation.

‘(d) If the proprietor considers himself unable to accept the compensation offered him under paragraph (b) or (c), he will be paid an indemnity by the Soviet Government. In case of disagreement, this indemnity will be fixed by the Mixed Arbitral Tribunal.’

M. Jaspar said that he wished to deal with the practical aspect of the question, and he did not wish to insist on the political and social aspects of the question of private property, although he did not consider these negligible. The Belgian delegation had made a great concession in agreeing to accept the substitution of the right of enjoyment for the right of ownership, but it could not make further concessions, as it knew they would never be accepted by Parliament and public opinion in Belgium. The speaker asked that, in the consideration of this question, account should be taken of the principle of restitution which the meeting had just accepted in the case of Roumania—that is to say, that property of which the proprietor had been illegally deprived should be restored. This principle was the basis of the stipulations regarding private property. All property which could be identified should be returned to its former owners.

MR. LLOYD GEORGE pointed out that the draft which had been prepared was the draft prepared not only by the French and English, but by M. Cattier, who was not only a very able jurist, but was also a great banker. He was not the kind of man who would be likely to give away great principles with regard to private property, either in his capacity as a lawyer or in his capacity as a banker, because in both capacities he stands for the guardianship of private property. M. Jaspar was quite right in saying that this is a very important clause. Everyone had their difficulties with regard to it, but these difficulties were not comparable to those of the Russians. Mr. Lloyd George feared that the insertion of these new conditions in this article might destroy the last chances of making peace with Russia. He feared that if M. Jaspar insisted upon his amendment it would wreck the conference. He was sure that M. Jaspar spoke in sincerity and he was sure he had done everything in his power to make the conference a success. But Mr. Lloyd George repeated

that if he insisted upon this proposal the conference would go. If the Russians refused to accept something which was quite reasonable, they must take the responsibility for the rupture, but in presenting demands to them they must not go beyond what under the circumstances was reasonable. With regard to the Cannes resolutions, he pointed out that they first of all recognise the right of any country to deal with property in that country in its own way, but he pointed out that if Russia wanted financial aid she must either restore or compensate. The speaker emphasised the fact that this principle was admitted in all civilised countries, and that in Great Britain there was a law by which property could be seized provided compensation was given. There were two countries in Europe, Roumania and Czechoslovakia, which had introduced very sweeping agrarian legislation on a very extensive scale. Mr. Lloyd George said that the compensation they were demanding from the Russians was on a very much more generous scale than that accorded by the legislation of either Czechoslovakia or Roumania; he was not in the least criticising that. The British delegation agreed without discussion to the principle contained in the text under discussion, but M. Jaspar, on the other hand, wished this property to be restored. That would be completely to take away the sovereignty of a country. The Belgian delegation was practically asking to amend the Cannes resolutions, which was to go back on the principles affirmed by this resolution. It was possible to ask for indemnities or compensation for property seized, and this compensation should be substantial. But to go further was to ask something which no Government could do, whether it be Russian, Roumanian, Czechoslovak, British or any other. In support of his argument, Mr. Lloyd George pointed out that the draft proposed by the jurists gave the Mixed Arbitral Tribunal the right, if they found the compensation was not adequate, to insist upon restoration. This ensured real compensation and not a paper one. M. Jaspar had said that he represented the nation, which owned property in Russia amounting to  $2\frac{1}{2}$  milliard gold francs. But Great Britain had 12 milliard francs sunk in the same condition. The taxes imposed on British citizens are far heavier than those paid by the Belgian subjects. The burden of the war per head of population is very much greater in Great Britain than it is in Belgium. The British argument was supported first by the experts and then by the representatives of British investors. Mr. Lloyd George appealed to M. Jaspar not to press his amendment further. He could not press the Belgian Parliament beyond the point to which it would go, but Mr. Lloyd George hoped that M. Jaspar would not accept the responsibility of pressing for something which would inevitably destroy the last chance of ever having a compact with Russia. With regard to M. Jaspar's statement that if paper bonds were all that were given to the owners of the factories Russia would suffer because she would never be able to induce anybody else to go there, the speaker replied that Russia knew that as well as anyone else, and would certainly endeavour to compensate. He was told that Russia was prepared to restore 90 per cent. of the factories in kind, the other 10 per cent. could not be restored in kind and compensation would be paid for them. He was certain

that the proposals contained in the draft proposed by the jurists would work out well and he again requested M. Jaspar to accept this request without amendment.

M. BARTHOUS said that the text submitted by the jurists was certainly an appreciable improvement on the texts previously drafted. He thought, however, that since there was no doubt that the Cannes resolutions should form the basis of the decisions of the conference, the second paragraph of the text of the proposed draft should be more precise. Instead of merely referring to the general principles laid down in this resolution the actual text might well be repeated in the memorandum. Paragraph 2 of article 6 would then be worded as follows: 'Without prejudice to the freedom accorded to it by the Cannes resolution to regulate its own system of ownership, the Soviet Government, in conformity with the said resolution, recognises its obligation to restore or compensate all foreign interests for loss or damage caused to them when property had been confiscated or withheld.'

MR. LLOYD GEORGE agreed with M. Barthou, and was prepared to accept the principle of his proposal. He thought that a final text might be drawn up by the committee of five experts which had been appointed on the 29th [sic] April.<sup>11</sup> He hoped that M. Jaspar would be able to accept M. Barthou's proposal in principle, and to leave it to that committee of five to consider the actual drafting.

SIGNOR SCHANZER, on behalf of the Italian delegation, stated that he accepted the draft of article 6 as submitted and that he also accepted in principle the amendment proposed by M. Barthou.

M. JASPAR asked if anyone present supported his amendment. He added that, while maintaining his proposal, he did not object to the wording of the second paragraph of the article as proposed by M. Barthou.

MR. LLOYD GEORGE asked for an explanation.

M. BARTHOUS pointed out that there were two points to be considered. The text proposed for paragraph 2 did not appear to give rise to any difficulty as it merely reproduced the terms of the Cannes resolutions. The second point was the amendment proposed by M. Jaspar. In his opinion, both the full text of the article and the amendment proposed by the Belgian delegation might be referred to the Committee of Jurists, which could determine whether an agreement could be reached.

MR. LLOYD GEORGE agreed with M. Barthou in standing on the Cannes resolutions. M. Jaspar, however, was not doing so; he demanded restitution, and that was not the Cannes resolutions. Mr. Lloyd George thought that it was no use referring the question of principle to jurists; they had to determine the question of principle themselves.

M. MOTTA stated that no effort should be neglected. Everyone was agreed in working for the success of the conference. He pointed out that M. Barthou and M. Jaspar were not really dealing with the same question. He would willingly support M. Barthou's amendment, subject to alterations of detail which the Drafting Committee might make. In his opinion this amendment

<sup>11</sup> April 28 (see No. 100).

had the advantage of stating explicitly that the Soviet Government was free to organise its system of ownership for Russian nationals according to its own social and political theories. He feared, nevertheless, that as the recognition of the right of foreign nationals to restitution of such of their property as had been nationalised, or to a corresponding indemnity, meant the establishment of a special system for the benefit of foreigners, a difficult situation would be created with these two opposing principles in operation side by side. In spite of this he had not given up hope that it would be possible to reconcile two opposing economic and social systems.

M. Motta then proceeded to deal with M. Jaspar's amendment. He pointed out that M. Jaspar wished all nationalised property which could be identified necessarily to be restored to its owners. According to M. Jaspar, non-restitution was only admissible in cases where it was physically impossible to identify the property. M. Motta admitted that this argument was based on perfectly sound logic, but he pointed out that the chances of an agreement should not be imperilled for the sake of greater precision. He therefore supported M. Barthou's proposal to refer the case to the jurists with instructions to find a wording satisfactory to all concerned.

M. SEYDOUX remarked that article 5 of the English text, which corresponded to article 6 of the French text, should in any case be referred to the jurists, who had not yet examined its last three paragraphs.

THE PRESIDENT observed that this could only be done after the question raised by M. Jaspar's amendment had been settled.

M. JASPAR referred to the part which he had frequently played in very grave circumstances as conciliator. It was the first time that Belgium had asked for the exercise in her favour of this spirit of conciliation which she had so often shown herself. He was convinced that his appeal would be understood and he hoped that the Italian delegation and the British delegation would agree to his amendment being referred to the Drafting Committee. He did not insist upon the text which he had proposed. He was [willing] to compare it with others and to seek for a ground of agreement. He felt that he was not only defending a national interest, but a great principle.

MR. LLOYD GEORGE recognised that M. Jaspar had on several occasions played the part of conciliator. But this was a question of principle which the experts could not settle. In his opinion, it was for the conference to decide. The Drafting Committee might then settle the final wording of the article.

SIGNOR SCHANZER pointed out to M. Jaspar that he might be satisfied with the proposal of M. Barthou as it was based on the Cannes resolution, which admitted restitution or compensation. If, on the other hand, as was the case with paragraph (a) of the amendment of the Belgian delegation, they fixed a particular condition, that was to say the possibility of identifying property for imposing the obligation of restitution, they would be going beyond the Cannes stipulations. It was in this sense that Mr. Lloyd George had stated that this was a question of principle which could be settled there. The speaker considered, moreover, that the affirmation of the principle that restitution should take place in all cases in which it was possible, furnished a

sufficient guarantee, the more so that, as Mr. Lloyd George had just pointed out, it appeared that restitution would be possible in the great majority of cases, that is, in 90 per cent. He added that, in conversations with the Russian delegates, it had been shown that in certain cases insurmountable technical difficulties stood in the way of restitution of property. Factories had been transformed or concentrated in groups. In these particular cases absolute obligation of restitution was, if not impossible, at least excessive. He again asked M. Jaspar if it was not possible for him to withdraw the first part of his amendment.

M. BARTHOU asked Mr. Lloyd George not to refuse to the Belgian delegation the short delay which it requested for submitting its amendment to the commission of five experts. The commission might be asked to meet at once and would perhaps succeed in arriving at an agreed text.

MR. LLOYD GEORGE agreed on condition that it was clearly understood that the conference held to the words of the Cannes resolution 'restore or compensate,' and that restoration in kind was not considered as enforceable in principle; it was not, in fact, desirable, to ask the experts to meet if the question of principle itself remained in suspense.

M. JASPAR agreed with Mr. Lloyd George's proposal. He also supported the Cannes resolution, and if he had not so far replied to the observations which had been made it must not be concluded that he accepted them.

THE PRESIDENT concluded that the meeting was in agreement that article 6 and the amendments proposed by M. Jaspar and M. Barthou should be referred to the committee of five experts, which should endeavour to arrive at a text satisfactory to all parties.

*(The sitting was adjourned at 1.30 p.m. The next sitting was fixed for 4.30 p.m.)*

#### ANNEX I TO No. 104.

*M. Chicherin to Signor Facta, President of the Conference.*

GENOA, April 28, 1922

Five days have passed since the meeting of the Commission of Experts<sup>12</sup> to which the Russian proposals were submitted which elaborated and explained the brief summary contained in my letter of the 20th April<sup>13</sup> to the Prime Minister of Great Britain.

The Russian delegation will be much obliged if you will inform them of the reason why the First Commission and the Political Sub-Commission have not been convened, and also of the date on which they will be convened. The rumours current that one of these commissions has been convened without the participation of Russia obviously cannot be true, seeing that Russia is represented on these commissions on a footing of equality.

The convening of the First Commission is the more desirable inasmuch as the methods so far followed by the conference in regard to the Russian question are incapable of leading to useful results and are not in conformity

<sup>12</sup> See No. 90.

<sup>13</sup> See No. 81, Appendix.



with the Cannes resolution which places in the front rank the concrete objects of reconstruction and financial assistance to weak countries. I deeply regret to have to call attention on this occasion to the fact that a definite reply has not been received by the Russian delegation as to the amount of the credits necessary for the restoration of Russia, the granting of which was nevertheless indicated by the Russian delegation as a preliminary and absolutely indispensable condition of the agreement, the terms of which were outlined in my letter of 20th April to the Prime Minister of Great Britain.

If the absence of a reply on this question and the interruption of its labours by the conference signify the withdrawal by the inviting Powers of their acceptance as a basis for discussion of my letter of the 20th April to the Prime Minister of Great Britain (certain fundamental ideas of which were further explained in the proposal of the Russian experts on Monday last), then the Russian delegation also will not be bound by my letter of the 20th April, but will return to the attitude expressed in the Russian memorandum, which was its initial attitude and which remained the expression of the principles which it considers just, although, with a view to conciliation, it had agreed to the concessions indicated in my letter of the 20th April on certain conditions, failing which these concessions will not come into operation.

In view of this possibility I beg to lay before the conference the Russian memorandum, copies of which are being sent to the general secretariat simultaneously with the despatch of this letter.

I take this opportunity of begging you, M. le Président, to accept the expression of my highest consideration.

ANNEX II TO No. 104.

*Signor Facta to M. Chicherin.*

GENOA, April 29, 1922

I hasten to reply to your letter of the 28th instant and to inform you that the object of the meetings which have taken place during the last few days was to clear up certain points and facilitate an exchange of views with your delegation in regard to the negotiations now in progress.

Before entering on consideration of the statements made in the second part of your letter, the grounds of which I cannot recognise, I should be glad to know if, in view of the inaccuracy of the information which has reached you in regard to the meetings in question, you still press your point of view and your request for the distribution of the memorandum.

Please accept the assurance of my high consideration.

ANNEX III TO No. 104.

*M. Chicherin to M. Barthou.*

GENOA, April 30, 1922

In the commentaries of the French press and in the declarations of the Heads of the French Government, the agreement prepared in the course of

several months at Berlin and signed at Rapallo between Russia and Germany<sup>14</sup> is interpreted as an act directed against the interests of France. The supposition has been repeatedly expressed that the agreement of Rapallo was accompanied by secret clauses of a military and political nature which concealed aggressive intentions on the part of Russia towards France and her Allies.

In view of the fact that, in spite of the repeated semi-official denials of the Russian delegation and the German delegation, and of the declaration of the German Chancellor to the press<sup>15</sup> suspicions as to the real meaning and character of the agreement of Rapallo continued to disturb public opinion and Government circles in France, the Russian delegation considers it necessary, in the interests of truth and in order to put an end to any misunderstanding which may have arisen as to the pacific policy of the Government of Russia, to address to you this letter.

The Russian delegation, confirming its semi-official statements, declares in the most categorical manner that the agreement of Rapallo does not contain any secret military clause and is not accompanied by any such clause, and that the Russian Government is not committed by any document to any action whatsoever directed against the interests of the French nation or of any other nation.

The agreement of Rapallo had no other object than the liquidation of the questions pending between two States which had been at war and which felt mutually the need of re-establishing relationships of peace in their own interest [and] of humanity as a whole. So far from being directed against France or against any other Power, the above-mentioned agreement is intended by the Russian Government to be merely the first of a series of individual agreements which should, in the view of the Russian delegation, supplement the general agreement aimed at by the Powers assembled at Genoa. These agreements should serve as a basis for peace and equilibrium in the world.

As regards France in particular the Russian Government considers that there are many points of contact between the interests of the two countries which will facilitate agreements on all questions in dispute between them.

In this respect the policy of Russia has not varied in spite of the hostile attitude which France has felt it necessary to adopt towards her for more than four years. The Russian Government cannot conceal from the French Government that its hostile policy towards Russia has produced in Russian public opinion a strong resentment against France, and that apart from this policy no reason would exist which would prevent the establishment of the most friendly relations between Russia and France and her Allies. The Russian Government is also convinced that a change in this attitude on the part of France is both necessary and desirable in the interests of France, of

<sup>14</sup> See No. 75, n. 1.

<sup>15</sup> In his telegram No. 101 of April 23, 1922 (N3816/646/38), Lord D'Abernon had reported as follows: '... official declaration denies existence of any military agreement with Russia in most categorical terms.'

Russia, of the population of Eastern Europe, and of the economic recovery of the world.

I beg you to believe, Sir, that this letter is inspired by the sincere desire to remove any misunderstanding which might interfere with the normal progress of the Genoa Conference.

Please accept the assurance of my highest consideration.

#### ANNEX IV TO No. 104.

##### *Draft of Article 2 of the Memorandum to be presented to the Russian Delegation.*

1. In conformity with the Cannes resolution, the Russian Soviet Government recognises all public debts and obligations which have been contracted or guaranteed by the Russian State, that is to say by the Imperial Russian Government or the Russian Provisional Government towards foreign Powers.

Being desirous of facilitating the immediate reconstruction of Russia and the rehabilitation of her credit, the creditor Powers are willing to make no claim upon Russia at present either as to capital or as to interest for the repayment of the advances made to the Russian Government during the war.

2. The Allies can admit no liability for the claim against them set up by the Russian Soviet Government for loss and damage suffered during the revolution in Russia since the war.

3. When an arrangement is concluded between the Allied and Associated Powers for the liquidation or rearrangement of war debts, the Allied Governments will submit to their Parliaments measures for reducing or modifying the amount due by the Soviet Government on similar lines and with due regard to the economic and financial conditions of Russia, but these measures will be conditional on the renunciation by Russia of the claims mentioned in paragraph 2.

4. Where responsibility for liabilities contracted by the Soviet Government or its predecessors towards foreign nationals has been assumed by a foreign Government, the liabilities will be treated on the same footing as private debts.

5. The preceding provisions of this clause will not apply to balances standing to the credit of a former Russian Government in any bank situate in a country of which the Government made advances to a former Russian Government, or assumed responsibility for any Russian Government loan floated in that country between the 1st August, 1914, and the 7th November, 1917. Such balances shall, without prejudice to the rights of third parties, be transferred to the Government concerned. The liability of the Russian Soviet Government in respect of war debts shall be *pro tanto* reduced.

##### *Special Clause as to the Roumanian Deposits in Russia.*

The Soviet Government will restore to the Roumanian Government the deposits made at Moscow by the said Roumanian Government.

ANNEX V TO No. 104.

*Proposed Draft of Article 6 of the Memorandum presented to the Russian Delegation.*

(Text prepared by M. Fromageot, M. Cattier and Sir Cecil Hurst.)

ARTICLE 6.

In order to encourage the restarting of foreign economic activity in Russia and to permit foreign States to furnish to Russia the aid indicated in the preamble and thereby to facilitate the restoration of the country, the Soviet Government accepts the following arrangements with respect of private property.

The general principles laid down in the Cannes resolution with regard to rights of property and the recognition of foreign interests will be observed.

In cases in which the previous owner is not enabled to resume possession of his former rights, the Soviet Government will make an offer of compensation. If no agreement is come to between the previous owner and the Soviet Government as to the nature and amount of the compensation, the previous owner shall be entitled to submit to the Mixed Arbitral Tribunal the question whether the compensation offered by the Soviet Government is just and adequate. If the Mixed Arbitral Tribunal decides that the compensation is just and adequate, it must be accepted by the previous owner, but if the tribunal decides that the compensation is not just and adequate, and the Soviet Government and the previous owner are still unable to reach an agreement as to the compensation, the previous owner shall receive from the Soviet Government a grant of the enjoyment of the property on terms not less favourable in all matters relating to its use and disposition than the rights he previously possessed; provided, however, that where the Mixed Arbitral Tribunal decides that the grant of the enjoyment of the property is impracticable and that compensation must be given, the amount if not agreed shall be fixed by the Mixed Arbitral Tribunal and shall be payable in bonds.

(The last three paragraphs of the British clause 5 have not been discussed.)

No. 105

P.C.S. 7] *Meeting of Members of the Sub-Commission of the First Commission held on May 1, 1922, at 4.30 p.m. in the Palazzo Reale, Genoa.*

PRESENT: *President:* Signor Facta.

*Belgium:* M. Jaspar.

*British Empire:* The Rt. Hon. D. Lloyd George, O.M., M.P.

*France:* M. Barthou.

*Italy:* Signor Schanzer.

*Japan:* Viscount Ishii.

*Poland:* M. Skirmunt.

*Roumania:* M. Bratiano.

*Switzerland:* M. Motta.

The sitting opened at 4.30 P.M.

THE PRESIDENT proposed that, as the Drafting Committee was not yet able to submit a draft of article 6,<sup>1</sup> the meeting in the meantime examine the other articles still to be discussed.

This proposal was agreed to, and articles 3 and 4 of both British<sup>2</sup> and French<sup>3</sup> drafts were read.

The French draft of these two articles was adopted.

#### ARTICLE 5.

M. SEYDOUX (French assistant delegate), having read article 5 of the French draft, pointed out that the English text of article 5, which was entitled, 'Private Property and Debts,' in reality related to private property only. That was why the French text seemed to him preferable.

MR. LLOYD GEORGE said that there were two differences of form between English and French texts of article 5. With regard to the first he said that the British delegation proposed that in the arrangements with Russia they should not only consider the question of delays and facilities for payment but also the question of remission of interest. The British delegation did not propose any remission at the present moment. Its first proposal was that interest should be remitted for five years, and that for the second five years the amount of the interest should be reduced, and also for the third five years. French bondholders had objected very strongly to this proposal. The British delegation then proposed that the question of what Russia could pay should be decided by an impartial tribunal. The speaker was not sure whether the French text included the question of remission within the purview of the consideration of the tribunal. He thought that that point ought to be made clear because, if interest were to be merely funded and the only question to be considered by the tribunal were what the facilities for payment should be, an agreement with the Russian delegation appeared very improbable. It was to be hoped that when they came to deal with the question of inter-Allied debts they would also consider the question of remission of interest, and for that reason he would like to see that principle introduced with regard to Russian war debts. Russia, continued the speaker, was in a very bad condition, and it would take many years for her to recover. Her recovery would be very seriously imperilled if the interest she could not pay in the course of the next few years were to be funded. With regard to the second difference between the two texts, Mr. Lloyd George said that the British delegation had suggested that the members of the tribunal should be nominated either by the Supreme Court of the United States, or by the League of Nations, or by the Court of International Justice at The Hague. If the tribunal consisted of three members, nominated for example by the Supreme Court of the United States, the speaker thought they would have a body very well able to deal with the problem. One of the members might

<sup>1</sup> No. 104, Annex V.

<sup>2</sup> No. 100, Annex I.

<sup>3</sup> Ibid., Annex II.

be a jurist, one a financier, and one a man of business or an economist. If, on the contrary, they had a mixed tribunal on which the creditor Governments and Russia were represented by five or six representatives each, with an independent president, he did not think that under such conditions they would get the best consideration given to the problem. Continuing, Mr. Lloyd George summarised as follows the objections to the French draft. In the first place he did not think an agreement would be possible with the Russians unless the tribunal had power to remit interest, if the economic condition of Russia did not permit of its being paid. In the second place the composition of the tribunal, as proposed by the British delegation, seemed to him preferable.

M. SEYDOUX remarked that the very object of the French drafting of article 5 was to make possible the facilities for payment which Mr. Lloyd George had in mind. The French delegation, however, wished to reserve complete liberty to the holders, to whatever nationality they might belong. It was desirable that the holders should be able to deal directly with the Russian Government, in order that the responsibility of the other Governments should not be engaged in relation to them. In fact, the holders had formed associations which might be grouped in a general association capable of negotiating directly with the Russian Government. On the other hand, it was essential to fix a term for the negotiations which would be undertaken in that matter. It was indeed very desirable that the holders should be enabled to deal directly with the Russian Government; yet in order to avoid undue delay in the negotiations which would be detrimental both to Russian interests and to the interests of the holders, it was necessary to fix a time limit. 31st December, 1922, was only put forward by the French delegation as a suggestion, and M. Seydoux did not object to its being altered. It was, however, essential in any case that a time limit for the negotiations should be laid down. Further, it was advisable to create an organisation whose duty it would be to decide the matter if the Russian Government and the holders were unable to come to any agreement. M. Seydoux was of opinion that a tribunal would fulfil that duty much better than a commission. He considered that the tribunal should consist of a president nominated by the Supreme Court of the United States and of two judges, one representing the Russian Government, the other representing the general body of the holders. The president would have a deciding vote. It would be the duty of that tribunal to give binding judgments; to grant a moratorium, to postpone interest due or about to become due, and in general to adopt all measures which would appear to it to be necessary. That tribunal would, in addition, determine the modes of making the payments which were due, and the guarantees to be granted to creditors; finally it would itself settle its organisation and its procedure. It was to be clearly understood that that tribunal would only be constituted if it should turn out that the holders had not been able, before a date to be determined, to agree with the Russian Government upon a complete and reasonable scheme of payment, which would give satisfaction to the two parties, while, of course, taking into account the situation of Russia.

MR. LLOYD GEORGE expressed himself completely satisfied with M. Seydoux's explanation, and he proposed that article 5 should be sent back to the Drafting Committee, and that the statement of M. Seydoux should be given to the committee by way of instructions.

SIGNOR SCHANZER was disposed to accept the wording proposed by the French delegation. He desired at the same time that it should be clearly stated in paragraph 1 that the tribunal would have the right to grant the postponement of interest, and, on the other hand, that it should be plainly stipulated in paragraph 4 that the holders were bound to accept all decisions which that tribunal would take. He requested that instructions to that effect should be given to the Drafting Committee. (Hear, hear.)

M. KENGO MORI (assistant delegate for Japan) expressed agreement on behalf of the Japanese delegation with the wording proposed by the French delegation. Japanese holders were, indeed, in the same position as French holders. He added, however, that the Japanese delegation agreed to that clause on condition that the word 'securities' should apply to all private debts, such as, for example, bills payable to order. But as the task of preparing the final text of that article was entrusted to the Drafting Committee, the Japanese delegation would uphold its point of view before that committee.

M. BARTHOU considered that it would be desirable to add to the Drafting Committee M. ter Meulen, who now represented the interests of the Dutch holders.

MR. LLOYD GEORGE agreed. He then insisted that the tribunal should have the right to postpone interest. That point should be made clear in the instructions which were given to the Drafting Committee.

M. SEYDOUX believed that the tribunal should have the widest powers both for granting the postponement of interest, if it should consider it to be necessary, and for controlling the settlement of debts and for determining the guarantees which should be accorded to the holders. The members of the tribunal would be nominated by the Supreme Court of the United States, and would therefore possess every guarantee of impartiality and honour; it was desirable to have complete confidence in it and to give it the widest powers.

SIR LAMING WORTHINGTON-EVANS (assistant delegate for Great Britain) observed that there would be another category of obligations—those which would be granted in compensation for private property which could not be given back. All obligations, the old and the new ones, should be treated on an equal footing with regard to interest.

M. SEYDOUX saw no difficulty in extending the competence of the tribunal to that second category of obligations.

MR. LLOYD GEORGE therefore asked that the instructions to the Drafting Committee should make that point clear.

M. JASPAR, on behalf of the Belgian delegation, gave his support to the wording proposed and commented on by M. Seydoux. He mentioned that Belgian interests in that matter were considerable, since Belgian holders possessed about 1,000,000,000 fr. worth of Russian securities.

M. MOTTA also agreed with the French proposal as to the wording which had been explained and developed by M. Seydoux.

THE PRESIDENT announced that the assembly agreed to send back article [5] to the Drafting Committee.

He then called upon the delegates to express their views with regard to article 7.

SIGNOR SCHANZER observed that there was no longer any reason for including that article in the British draft, since the provisions of it had already been inserted in article 5. It stipulated that the arbitration tribunal should have the power to grant postponement of interest. He mentioned that article 7 in the French draft corresponded to article 6 in the British one.

The article was then read in both its French and English versions.

MR. LLOYD GEORGE most willingly agreed to the French wording.

M. SEYDOUX proposed to amend the French text as follows: 'The pecuniary indemnities accorded in pursuance of article 6, paragraphs 2, 4 and 5 shall be discharged by the grant of new Russian 5 per cent. bonds for the amount fixed by the Mixed Arbitration Tribunal, which will determine the conditions concerning the issue of and payment of interest on new Russian bonds.'

The object of the new drafting was to carry out the desire expressed by Sir Laming Worthington-Evans, that the tribunal itself should be entrusted with determining the conditions concerning the issue of and payment of interest on new bonds.

As the assembly expressed agreement, THE PRESIDENT announced that article 7 was adopted with the amendment proposed by M. Seydoux.

The consideration of article 8 was then undertaken, and the two texts were read.

SIGNOR SCHANZER enquired whether the British delegation considered that the second paragraph of article 8 in the English version ought to be maintained. He pointed out that that paragraph related to private property, whereas the first paragraph of the article dealt with the interest on bonds and securities. Moreover, paragraph 1 provided for the appointment of a commission entrusted with the settlement of questions concerning the interest on securities; the second, on the other hand, provided for the appointment of a tribunal entrusted with the settlement of claims relating to private property. He did not clearly perceive the object of those two different organisations.

MR. LLOYD GEORGE thought that confusion had arisen between the mixed commission and the mixed tribunal provided for in that article. The mixed tribunal dealt with claims concerning private property. That point was not under discussion. What they were now considering was the divergence between the French draft and the British draft in relation to the mixed commission. That commission was to deal with questions concerning securities and private debts. M. Seydoux had proposed the creation of quite a different tribunal from that provided for in the French and British drafts. That proposition, which had been agreed to, consisted in the appointment



of a tribunal formed by one member representing the holders, one member representing the Russian Government, and a president nominated by the Supreme Court of the United States. It was essential that a uniform decision should be taken with regard to all the holders to whatever nationality they might belong. If paragraph 2 of the British draft were adopted they would run the risk of seeing the tribunal take as many different decisions as there were categories of holders. He therefore proposed to instruct the Drafting Committee only to take into account in settling the final wording the proposal of M. Seydoux.

SIGNOR SCHANZER maintained his point of view. He wondered whether it was really necessary to provide for the constitution of two different tribunals, one to decide claims relative to private property, and the other to settle questions concerning securities.

MR. LLOYD GEORGE observed that it was desirable to distinguish between the tribunals which would determine individual claims and the commission which would settle the questions concerning securities. With regard to securities uniform treatment should be applied to everyone; it would be impossible, for example, to remit the payment of interest on securities held by the Dutch citizens and to require the payment of interest on securities held by British citizens. If there were remission it must be general, and it was for that reason that Mr. Lloyd George had agreed to the appointment of the commission proposed by M. Seydoux. On the other hand, it was right to provide for the constitution of mixed tribunals for dealing with individual claims. The creation of one special commission only concerned the disputes provided for in paragraph 1 of that article.

M. ALPHAND (expert with the French delegation) pointed out that two entirely different questions were at issue. With regard to securities, one special arbitration commission would be appointed to deal with all disputes between the Russian Government and the holders. In that commission the holders who, so to speak, would lose their nationality and merely keep their status as holders would be represented by a single delegate. With regard to disputes concerning private property, however, it was desirable to provide for the appointment of several mixed arbitration tribunals. It would therefore be advisable, in his opinion, to make the meaning of article 8 clear by beginning with the following words: 'In pursuance of article 6, the tribunals . . . '.

SIGNOR SCHANZER considered that it would be advisable in the drafting of article 5 to provide for the constitution of that commission.

M. ALPHAND agreed with Signor Schanzer. The commission which, according to the wish of Sir Laming Worthington-Evans, was to determine all questions relating to securities, and upon which, consequently, the whole Russian financial service would depend, could be provided for either in article 5 or in a separate article.

SIR LAMING WORTHINGTON-EVANS thought that it would be sufficient to mention that the commission provided for in article 8 of the British draft would enjoy the powers defined by M. Seydoux. The Supreme Court of the

United States would be entrusted with the duty of nominating the president of that commission alone. It would be an undue demand upon the Supreme Court to ask it to nominate also the presidents of all the mixed arbitration tribunals. It would be best to charge the president of the commission with the duty of himself nominating the presidents of the mixed arbitration tribunals.

SIGNOR SCHANZER thought it would be useful to sum up the discussion. The commission was agreed to insert either in article 5 or in an article 5(a) a clause dealing with the constitution of a mixed arbitration commission to deal with all disputes between the holders of securities and the Russian Government. With regard to article 8 it was desirable that in its final drafting it should define the competence of the mixed arbitration tribunals which were to deal with individual claims concerning private property, that is to say, the individual claims set forth in the second paragraph of article 8 in the British draft. Finally it should be mentioned in article 8 that the President of the Supreme Court of the United States would be invited to appoint the president of the mixed commission provided for in article 5, and that in his turn that president would nominate the presidents of the mixed arbitration tribunals. In that way the provisions of article 8 of the British draft would be completely embodied in the texts of articles 5 and 8 of the French draft amended accordingly.

M. ALPHAND thought that it would be sufficient to amalgamate articles 6 and 8 of the French draft.

SIR LAMING WORTHINGTON-EVANS considered that it would be the duty of the Drafting Committee to settle that matter.

Decision having been taken on those lines, the consideration of article 9 was begun.

M. SEYDOUX read the French text. In order to explain the object of that article, which did not exist in the British draft, he drew attention to the chapter of the London report<sup>4</sup> headed 'Measures by which the speedy restoration of Russia would be facilitated'. The experts were of opinion that in order to promote the rapid reconstruction of Russia it was necessary to give a certain number of guarantees to foreigners. The most important of the measures to be taken, those dealing with the administration of justice and the conditions of residence for foreigners in Russia, were set forth in articles 9 and 10 of the British draft, 10 and 11 of the French draft. The putting of those measures into force would, however, probably entail long delays. In order to avoid that period of waiting, which would be so very prejudicial to the interests of Russia, it was desirable that foreign business men, whose immediate activity was so essential for that country, should be able to take up residence there at once. The wording proposed by the French delegation was far more moderate than that of the London report; it merely laid down the principle, leaving to the Russian authorities the duty of applying it as they should see fit.

MR. LLOYD GEORGE raised the objection that the provisional régime indicated in the London report gave foreigners the right of extra-territoriality,

<sup>4</sup> See No. 56, Appendix.

which would result in placing Russia in the same position as Turkey or Egypt. Two or three clauses in the London report, would, if they were imposed on Russia, arouse the protests of the trade unions, and probably also of the workers' organisations in France, Belgium and Italy. In fact, one of the conditions which they were seeking to impose upon Russia was at that very moment the subject of a very big strike in England.<sup>5</sup> He thought the best thing for them to do was to insert in the draft clauses 8 to 17 of the London report, and to insist upon the Russians setting up in their own country an independent system of jurisprudence which would be a guarantee for all foreigners. But if they indicated that they were going to impose on Russia a régime like the régime of capitulations in force in Turkey or in Egypt, they would excite the nationalist feeling there, which was a much more formidable feeling than the Bolshevik one. He added that it was humiliating to a great country like Russia that they should say that foreigners there should only be subject to the jurisdiction of their courts when the sentence of those courts was approved by their own consuls. He therefore sincerely trusted that they would now concentrate upon urging Russia to improve her permanent judicial system, and that they would not force her to set up a provisional régime which, moreover, would probably not be accepted by the Government of that State.

M. JASPAR appreciated the full force of Mr. Lloyd George's objections, but he laid emphasis on the fact that no infringement of Russian sovereignty was involved. She would merely be urged to take, on her own initiative, a series of measures which were absolutely necessary in order to give foreigners the guarantees without which they would definitely refuse to come and settle in Russia. It was, therefore, in the interest of Russia herself, and in the interest of her reconstruction, that those measures were suggested to the Russian authorities, who would carry them out in the full exercise of their sovereignty.

In order to remove anything which might be considered offensive to the Russians, he thought that it would be advisable to replace the words, 'to establish a provisional régime' by the words 'to establish a régime at once'.

M. SEYDOUX thought that the view expressed by Mr. Lloyd George would be met if, in the wording of article 9, they substituted for the words 'to establish a provisional régime for the protection of the persons and goods of foreigners' the words '... to take all suitable measures to secure the immediate protection of the persons, goods and labour of foreigners'. On the other hand, the new article 9 would be improved by being placed after articles 10 and 11 of the French draft (9 and 10 of the British draft), which dealt with the administration of justice and the conditions of residence for foreigners.

MR. LLOYD GEORGE accepted article 9 as amended by M. Seydoux. He suggested, however, that that article should come in front of articles 9 and 10 of the British draft. Article 9 would thus go on to say: 'and with that object in view, the administration of justice in Russia'. He specially desired to respect the wishes of the trades unions, and it was on that ground that he

<sup>5</sup> A reference to the lock-out in the British engineering industry from March until June, 1922.

wished to show that the regulations required from the Russian Government with regard to the administration of justice should not be provisional but permanent.

SIGNOR SCHANZER having summarised the result of the discussion by drawing attention to the fact that articles 9, 10 and 11 of the French draft were to be amalgamated in a single article, and no objection having been raised on that head, THE PRESIDENT announced the agreement of the assembly to the amendment of the text of those articles by the Drafting Committee.

Article 12 was then considered.

M. ALPHAND explained that the object of article 12 was to settle a whole series of questions of detail which had been mentioned in the report of the London experts, and which had not been the subject of special clauses in the French and British drafts. One of those questions had relation to the determination of the modes of payment (paragraphs 8, 16 and 17 of Annex II of the London report, and article 3 of Annex III). In so far as property acquired before the 1st November, 1917, was concerned, he referred to the note at the bottom of paragraph 7 of Annex II. With regard to the rights of third parties, he drew attention to paragraphs 9 and 10 of Annex II.

MR. LLOYD GEORGE thought that it was desirable to leave the door open for discussions with regard to detailed provisions. For the moment they should in his opinion confine themselves to the essential conditions.

SIR LAMING WORTHINGTON-EVANS proposed the following addition to the text of article 12: 'Provision shall be made by the Soviet Government for enabling foreign nationals to enforce their just claims against private persons in Russia. If the payment of sums due has been rendered impossible by the action or the negligence of the Soviet Government, the liability must be assumed by the Soviet Government.' He suggested that that proposal should go to the Drafting Committee.

It having been decided accordingly, the assembly passed on to the consideration of article 6, the new text of which had just been submitted by the Drafting Committee (Annex).

M. FROMAGEOT, at the President's request, gave the following account of the work which had been entrusted to the committee:—

1. With regard to the amendment put forward by M. Barthou that the exact text of the Cannes resolution<sup>6</sup> should be embodied as the basis of the clause dealing with private property, it had seemed desirable to complete the amendment by the full quotation of that text. Paragraph 2 of article 6 would therefore read as follows:—

'Without prejudice to its right, which is recognised by the Cannes resolution, to organise as it may desire the system of property within its territory, and to choose for itself the system which it prefers in that matter, the Soviet Government recognises, in pursuance of . . . .'<sup>7</sup>

2. With regard to the amendment proposed by the Belgian delegation,

<sup>6</sup> See No. 6, Appendix.

<sup>7</sup> Cf. Annex.

M. Fromageot pointed out that the object of that amendment was expressly to show that the restitution of property should be the rule, and compensation merely the exception. To that end, the Belgian delegation wished to indicate clearly that non-restitution could only take place for technical reasons, or if the property could not be identified. Moreover, they desired to embody textually in article 6 itself the explanatory note pointing out that the compensation should place the party concerned in a position virtually as advantageous as restitution. With a view to satisfying those wishes, the committee had proposed to draft the beginning of paragraph 3 as follows:

‘In cases in which the principle of restitution cannot be applied, and in which the former proprietor cannot, for that reason, be reinstated . . .’ in order explicitly to lay stress upon the principle of the resolution, which, moreover, was implicitly contained in the original text.

Unfortunately, M. Delacroix, the Belgian delegate, had thought it his duty to leave the meeting, and in those circumstances the committee could only make the following suggestion:

If the proposed addition satisfied the Belgian delegation, there was, in the opinion of the committee, no objection to its adoption. If not, it would be the duty of the commission to decide whether, from the political point of view, it was desirable to maintain a form of words, the sense of which was already implied in the text. The committee ventured to express the opinion that it would be preferable in that case to keep to the original form of the text. The same observation applied to the explanatory note, which added nothing to the meaning of the text, and the object of which had merely been to enable the commission fully to grasp that meaning.

After that explanation, THE PRESIDENT requested the delegates to express their opinion with regard to article 8.

M. JASPAR expressed his profound regret that none of the amendments proposed by the Belgian delegation had been approved by the Drafting Committee. So far as he was concerned, he did not in the least agree with the text submitted by M. Fromageot, even as amended in the desire to satisfy him; indeed, he preferred the original version to the amended text. Before, however, announcing the decision of the Belgian Government, he desired to reply to the principal objection which had been raised to his request. The justification which had been given for refusing to accept the amendment of the Belgian delegation was that that amendment was in contradiction with the Cannes resolution. Nothing could have affected M. Jaspar more keenly than that reproach, since it was he himself who was the author of the point in the Cannes resolution which related to the restitution of private property. The idea which had determined M. Jaspar to adopt the attitude which he had adopted at Cannes was that the only reason which could be invoked for not restoring private property ought to be the destruction of that property. That point of view, moreover, had been made clear in article 7 of Annex II of the London report.<sup>4</sup> He was therefore justified in believing that his amendment was in absolute agreement with the Cannes resolution, and that in proposing it on behalf of the Belgian Government he was respecting

all the obligations which had been undertaken. The Belgian delegation could not at any price agree to the proposed wording of article 6.

THE PRESIDENT, while profoundly regretting that the Belgian delegation could not accept the text of article 6, announced, since the other delegation approved it unanimously, that the text of article 6 was adopted, in spite of the negative vote of the Belgian delegation. The final text was therefore in conformity with the original text, with the following alteration only:—

Paragraph 2. After 'the system of property,' to add, 'and to choose for itself the system which it prefers in that matter . . . '.

The explanatory note was suppressed.

He then proposed that the three last paragraphs of article 5 of the British draft, which had not yet been considered, should be sent to the Drafting Committee for examination. That proposal was agreed to.

It was decided that the Drafting Committee should meet at 10 A.M. on the following day in order definitely to decide upon the final text of the memorandum to be sent to the Russian delegation, while taking into consideration the amendments, additions and observations which have been approved in the course of the discussion.

M. BARTHOU was glad to note that the text submitted by the Drafting Committee, especially with the amendment introduced in paragraph 2, gave evidence of considerable improvement in comparison with the forms of wording previously proposed. Thanks to that amendment, the text remained strictly within the limits of the Cannes resolution. On the other hand, M. Barthou could not help observing that he had been very much struck by the remarks of M. Jaspar. The French delegation did not oppose the adoption of the text which had just been discussed. At the same time, if, after referring the matter to their Government, the French delegation should consider it desirable to offer some observations on that subject, they reserved the right of doing so before the final vote. That would not, however, prevent the final drafting of the ultimatum and its despatch to the Russian delegation.

MR. LLOYD GEORGE understood that they were going to make an effort to present that document to the Russians on the following day, because they must have their time to consider it. It was a very important document. He asked whether M. Barthou's statement meant it was not to go in on the following day, and that they must wait until the French Government had considered it and had sent in their observations.

M. BARTHOU replied in the negative.

MR. LLOYD GEORGE asked whether it would go in on the following day if the experts had completed their work.

M. BARTHOU replied in the affirmative.

The assembly having agreed to that proposal, the president fixed the next meeting for Tuesday, May 2, at 4.30 P.M., and then declared the sitting to be at an end (7.15 P.M.).

ANNEX.

*Private Property.*

(Revised text.)<sup>8</sup>

Without prejudice to its freedom, as recognised in the Cannes resolution, to regulate its system of ownership and to choose for itself the system which it prefers in this respect, the Soviet Government recognises its obligation, in accordance with the said resolution, to restore or compensate all foreign interests for loss or damage caused to them when property has been confiscated or withheld.

<sup>8</sup> Only the second paragraph is here printed. The texts of paragraphs 1 and 3 are substantially the same as for those paragraphs in No. 104, Annex V.

No. 106

s.G. 22] *Note of a Conversation between Mr. Lloyd George (who was accompanied by Sir Maurice Hankey) and M. Barthou (who was accompanied by M. L'Amirault and M. Camerlynck), at the Hotel Miramare, Genoa, on Tuesday, May 2, 1922, at 10 a.m.*

*Germany and Reparation.*

MR. LLOYD GEORGE asked if M. Barthou had received the *procès-verbal* of his previous conversation.<sup>1</sup>

M. BARTHOUS replied in the affirmative.

MR. LLOYD GEORGE asked that this document might be treated as strictly confidential, and for the present shown only to M. Poincaré.

M. BARTHOUS said he would only speak to M. Poincaré on the subject.

MR. LLOYD GEORGE said that in regard to the debt he had received rather better news from the United States of America.<sup>2</sup> It was not very definite, but it indicated that if the Genoa Conference was a success we need not despair of the United States of America interesting themselves in European affairs. This would make it much easier to raise a loan for France on the British, American and French exchanges. It would make all the difference.

M. BARTHOUS said that if he was leaving for a short time it was only to try and ensure the success of the Genoa Conference.

MR. LLOYD GEORGE said he realised all that M. Barthou had done, and the courage which he had shown in facing difficulties that had even been greater than his own. He felt certain that French public opinion would support his attitude. The great problem was the raising of a large sum for France in order to alleviate her difficulties in raising money to repair devastation. The Genoa Conference would make things easier for Germany also.

M. BARTHOUS said that he had come to Genoa convinced of the necessity to make the conference a success, and as it had developed he had realised more and more how important this was.

<sup>1</sup> No. 101.

<sup>2</sup> See *F.R.U.S.* 1922, vol. i, p. 399.

MR. LLOYD GEORGE said that he himself had been struck by the terror of the small Powers lest there should be a rupture with Russia. This was particularly so in the case of Poland and Czechoslovakia.

M. BARTHOU said that these Powers had told him so, and he had repeated it.

MR. LLOYD GEORGE said they were really frightened. He could see that in their faces the moment there seemed a prospect of a rupture. He asked if M. Barthou had seen M. Kameneff's speech.<sup>3</sup> M. Kameneff, who had been expelled from England, was rather more extreme than the Russian representatives here, and was now a commissary of the Soviet Government. He had lately issued an appeal to the soldiers of the Red army telling them that they were better equipped and organised than the soldiers of their neighbours, and that they must be prepared to become the advance guard of millions of Russians who would march to the West to get food.

M. BARTHOU said that recalled the declaration of Bonaparte when he invaded Italy.

MR. LLOYD GEORGE agreed that the proclamation was almost identical. He then said he would like to talk about Germany. On the 31st May, Germany would either carry out the demands of the Reparation Commission, or default.<sup>4</sup> He was not hopeful that Germany could accept, unless matters could be arranged with them beforehand at Genoa. If so, he thought something might be done. Otherwise, on the 31st May, they would default. What was then to happen? M. Poincaré could not take action without consulting his Allies. After the Frankfurt incident M. Millerand had given a definite pledge that he would not take independent action.<sup>5</sup> M. Poincaré could not go back on that pledge. The British Government were quite prepared to confer with the French Government. Also, if the Germans did not make a real effort, they would be prepared to support France. It was not a question of preventing France from taking action. What the British Government had wanted to be sure of was that they were taking action in the best possible way. In his first conversation with M. Poincaré<sup>6</sup> the latter had said that he did not want to have any further conference except through Ambassadors. Lord Hardinge was a most trusted and experienced Ambassador in whom the British Government had complete confidence, but action against Germany was a question of Cabinet importance, and it was essential that such a question should be decided either by Prime Ministers or at any rate by ex-Prime Ministers. He himself would be quite ready to entrust such a mission to Mr. Balfour,<sup>7</sup> if he could not attend himself, and M. Barthou

<sup>3</sup> Cf. No. 95.

<sup>4</sup> See No. 96, n. 5.

<sup>5</sup> French forces had begun to occupy Frankfurt and Darmstadt on April 6, 1920, following the entry of German forces into the demilitarised zone of the Rhineland, in contradiction of Article 43 of the Treaty of Versailles, to suppress a rising in the Ruhr. His Majesty's Government had dissociated itself from the French action (see Vol. IX, Chaps. III and IV). For M. Millerand's statement, see *ibid.* Nos. 353 and 357.

<sup>6</sup> Mr. Lloyd George was referring to the Boulogne meeting, February 25, 1922: see No. 34.

<sup>7</sup> Mr. A. J. Balfour (later the Earl of Balfour) had been Prime Minister of Great Britain from 1902 until 1905, and Minister for Foreign Affairs, 1916-19; in October, 1919, he



was an ex-Prime Minister like Mr. Balfour. But how was the meeting to be arranged? Certainly the Little Entente ought to be present if serious action was contemplated against Germany—and Poland, too.

*The Proposed Meeting of Signatories to Treaty of Versailles.*<sup>8</sup>

How was the meeting to be arranged? Once they had dispersed from Genoa they could not be got together again. They were all at the present moment in Genoa. He knew that French public opinion did not like the idea of a meeting on this question at Genoa. He did not suggest, however, that the question should be brought before the Genoa Conference, but merely that there should be a meeting of the signatory Powers of the Treaty of Versailles. There had already been more than one such meeting; for example, the meeting at the [Villa] Raggi.<sup>9</sup> If French public opinion preferred, they might go to Turin or some other place in Italy. Rapallo, he agreed, was impossible in present circumstances, but Pegli, Nervi or some other place might be chosen. He thought it must be in Italy, or it would appear an insult to the Italian people. All he asked for was that there should be a meeting while all were together. Great Britain would stand by France in order to get the Treaty of Versailles carried out, but they were opposed to precipitate action. They wanted the matter settled fairly, that was all.

M. BARTHOU said that Mr. Lloyd George had strengthened the thought he had communicated to him on the previous Saturday,<sup>10</sup> which he had taken note of. He fully understood the matter and would report it and emphasise it to M. Poincaré.

MR LLOYD GEORGE said that it was essential to France to put reparations on a firm basis. This was more important than what France should get in the first year. Dr. Rathenau had come to England to try and obtain a loan,<sup>11</sup> but he had been told that this was impossible until the question of reparations was settled. There ought to be a definite settlement. There had been conferences at London, Paris, Spa, &c., but no real settlement had yet been reached. There was a great need for a settlement so that Germany might obtain a loan, and France might then obtain something in hand. He was certain that if there was a real settlement, France could obtain something. The Governor of the Bank of England had intimated as much to him.

M. BARTHOU agreed.

MR. LLOYD GEORGE said that if a meeting could be held in Italy he might be able to get the Governor of the Bank of England to be available. It was a curious thing that when there was unemployment in Great Britain it was easier to raise money, since people would not invest their money in enterprise, and money accumulated in the banks. Consequently, this was a good time to discuss a loan. The Governor of the Bank of England had a certain became Lord President of the Council and was British representative at the Council of the League of Nations in 1920 and 1921.

<sup>8</sup> See No. 96.

<sup>9</sup> See No. 76.

<sup>10</sup> See No. 101.

<sup>11</sup> Dr. Rathenau was in England from November 28 to December 10 and December 18 to December 23, 1921.

measure of control over the money market, and he would be prepared to ask him to come here and discuss it.

M. BARTHOU said he listened with the greatest attention and took note of what Mr. Lloyd George had said, and would report it.

MR. LLOYD GEORGE pointed out that everything tended nowadays to leak out into the press. If this happened it would make it difficult to launch a scheme. He thought it best that M. Barthou should confine his communications to M. Poincaré. If this idea leaked out, the City of London would get disturbed, and this might prevent the scheme going through afterwards. Of course there would be no objection to his communicating with M. Millerand.

M. BARTHOU said that M. Millerand was not in Paris, but he felt he must consult M. Lasteysie.<sup>12</sup>

MR. LLOYD GEORGE said of course there could be no objection to that.

M. BARTHOU said that as regards the conversation this morning it would be sufficient to tell the press that he had met Mr. Lloyd George before he went to Paris, and that there had been a general conversation, and that was all.

MR. LLOYD GEORGE agreed. He suggested that he should add it was a satisfactory conversation in regard to the whole position. This would tend to limit any excitement.

M. BARTHOU agreed. Since he had been in Genoa he had had nothing but friendly conversations with Mr. Lloyd George, but he must confess that this did not increase his authority in France for the moment.

MR. LLOYD GEORGE said it was a curious thing that French public opinion did not in the least realise the situation. They thought if they could only get rid of the *méchant* Lloyd George all would be well, and that with the new Ministry it would only be necessary for M. Poincaré to send messages for a favourable reply to be returned in ten minutes' time. As a matter of fact, apart from himself and his Government, the British political leaders were on the whole rather hostile to French policy. It was difficult to understand the attitude of the French and British press. The latter quoted scarcely anything except extreme organs, such as, the 'Echo de Paris' and the 'Action française,' and not the 'Petit Parisien' or the 'Journal'. The same applied in Paris where only the 'Times' and the 'Morning Post' were quoted, and such organs as the 'Daily Telegraph,' the 'Manchester Guardian' and the 'Daily News' were rarely mentioned. It was the latter organs that really represented the possible alternative Government to his own in Great Britain. He thought he could beat his opponents at the next election, but if not, the trend of any other Government's policy would be opposed to French policy. He drew M. Barthou's attention to a manifesto issued a few days before by Lord Robert Cecil<sup>13</sup> which had been Germanophile and rather anti-French. He had not seen this quoted in any French newspaper.

M. BARTHOU said he was in complete agreement. He greatly regretted the

<sup>12</sup> See No. 29, n. 14.

<sup>13</sup> A reference to a speech made by Lord Robert Cecil, Chairman of the League of Nations Union, to the Westminster Branch on April 28, 1922 (see *The Times*, April 29, 1922, p. 11).

attitude of the press, and he had told them that they should reproduce articles of a less sensational character. He had always told the French journalists at Genoa what Mr. Lloyd George had said to him, that France and Great Britain were the great pillars of peace in Europe.<sup>14</sup> He recalled that Mr. Lloyd George had told M. Briand that he himself was the best disposed Englishman towards France.

MR. LLOYD GEORGE said this was the case.

M. BARTHOU said it was doubly so because Mr. Lloyd George had said it, and it was true.

MR. LLOYD GEORGE then referred to the possibilities of the next general election in Great Britain. This must take place within a comparatively limited period since the British Parliament came to an end about the same time as the French Chamber. In Great Britain, however, they had a right, which they did not possess in France, to ask for a dissolution which the King was usually prepared to grant if it were recommended. One issue at the election would be a revision of the Treaty of Versailles. His Government stood by the treaty; their opponents were against it, and this would be one of the great questions at the next election.

M. BARTHOU recalled that Mr. Lloyd George had warned M. Poincaré of this at Boulogne.<sup>6</sup>

He asked what would happen if the Russian delegations refused the memorandum<sup>15</sup> which was to be presented. Would the conference then continue?

MR. LLOYD GEORGE said it would be continued in regard to currency, exchange, transport and so forth, but otherwise would not continue.

#### *Pact of Non-Aggression.*<sup>16</sup>

M. BARTHOU asked whether the question of non-aggression would be raised in such an event.

MR. LLOYD GEORGE said it was a very difficult matter to which he had given much consideration. He would like M. Barthou's opinion. It might be possible to get the Russians to sign the pact of non-aggression afterwards, but its principal importance really arose in connection with the western frontiers of Russia, and the desirability of avoiding military operations directed against Poland, Czechoslovakia or Roumania. Of course, Hungary might be induced to sign a pact, but it could not have the same value if Russia was not a signatory.

M. BARTHOU said that if the Russians refused the memorandum, they would certainly withdraw from the conference, and it would not be practicable to discuss a pact of non-aggression with them.

MR. LLOYD GEORGE asked what M. Skirmunt, M. Benes and M. Bratiano thought about the matter.

M. BARTHOU said he believed their view was that even if the conference

<sup>14</sup> See No. 93, n. 1.

<sup>15</sup> See No. 108, Annex II, below.

<sup>16</sup> See No. 95, Appendix.

did not succeed in reaching an agreement with Russia, nevertheless, there should be a pact on non-aggression among the other States.

MR. LLOYD GEORGE thought it was not of much value without Russia. What he was afraid of were the Polish and Roumanian frontiers. The questions of Lithuania<sup>17</sup> and Bessarabia<sup>18</sup> were still unsolved. He wished it had been possible to settle these before leaving Genoa. He was absolutely certain that sooner or later the Russians, acting in collusion with the Lithuanians, would clear the Poles out of Lithuania. If the Russians and Lithuanians marched against Poland, the other Powers would be in a fix. What could they do? They certainly could not send troops. He recalled that at Spa, Marshal Foch had said France could not send a single squadron.<sup>19</sup> They would have to look on while the Russians marched into Poland. He did not know where they would stop if they once started marching, more especially as there was food in Poland.

M. BARTHOU agreed that it was a very great difficulty. That was why he had not spared any endeavour to get the memorandum into a form which would lead to Russia's acceptance.

#### *Belgium and Private Property.*

He wondered if the Prime Minister could not make a little concession towards the Belgians in the matter of restoration of property. He understood that the Russians were prepared to restore about nine-tenths of the private property, so that, in fact, restoration would be the rule and compensation the exception. It would be a great advantage if one word could be introduced which would induce the Belgians to sign.

MR. LLOYD GEORGE said that if the Russians refused the memorandum it would be on the private property clause and on nothing else. If any further weight were put on to this clause it would weigh down the Russians. M. Clemenceau, at the Paris Peace Conference, had allowed himself to be pressed too hard by the Belgians. The result was Belgian priority which had been a constant embarrassment ever since, although France really had a greater need for money for reparations than Belgium. M. Clemenceau and M. Loucheur had really given way on this point, and now the Belgian priority claim was constantly blocking them. They must not allow the Belgians, who were first-rate business men, to prevent a settlement with Russia. They had received no support in the sub-committee<sup>20</sup> and eventually they would have to give way, for they could not stand out against the whole of Europe.

M. BARTHOU asked how long the Russians were to be given for their reply.

MR. LLOYD GEORGE said they would certainly wish to telegraph to Moscow and he thought they should be given until Monday.

#### *Lithuania and Poland.*

In regard to Lithuania, he suggested that the Poles and Lithuanians should be persuaded to refer the question again to the League of Nations on

<sup>17</sup> See No. 70, n. 8 and No. 95, n. 7.

<sup>18</sup> See No. 82, n. 11.

<sup>19</sup> See No. 1, n. 12.

<sup>20</sup> See No. 104.

the condition that the League would give it a complete rehearing. He would give them this fresh opportunity on condition that both parties agreed to accept the decision of the League.

M. BARTHOU asked if Mr. Lloyd George had mentioned this proposal to M. Skirmunt.

MR. LLOYD GEORGE said he was going to see M. Skirmunt the same evening.

M. BARTHOU said that personally, so far as he was able to bind himself, he was favourable to the proposal.

MR. LLOYD GEORGE said that his impression was that M. Skirmunt wanted a little pressure. He was told that the Poles wanted France and Great Britain to press them, then they might go home and persuade their Government to agree.

M. BARTHOU said that personally he was favourable to the proposal. He saw no objection to Mr. Lloyd George telling M. Skirmunt that he had discussed the matter with him and that he had no objection.

MR. LLOYD GEORGE agreed to do so.

M. BARTHOU said that a solution involving resort to arbitration by the League of Nations was one that ought to seem good to everyone.

#### *Eastern Galicia.*

MR. LLOYD GEORGE then raised the question of Eastern Galicia. The majority of the population there were anti-British [*sic.*]<sup>21</sup> He thought, however, that it would not be a good plan to make Galicia an independent State. There were already too many small States in Europe. He would treat Eastern Galicia like Ireland, which was two-thirds anti-British and only one-third British in sentiment, but it was that one-third that created the difficulties for the British Government. If Ireland were entirely Irish it would be easier to deal with. If only Eastern Galicia could be induced to accept Polish sovereignty with complete domestic independence such as had been granted to Ireland, a practical solution might be found. They might have the Polish flag with some distinctive emblem on it, such as Canada, Australia and the other Dominions had. They might have as complete autonomy in internal affairs as had been granted to Ireland. The Galicians would not like the proposal, but he thought if they were granted complete internal autonomy they ought to accept.

M. BARTHOU said that M. Skirmunt was a man who would be particularly susceptible to blandishments such as Mr. Lloyd George was the master of. He thought if Mr. Lloyd George approached him with friendly words that he would very likely persuade him to accept this plan.

MR. LLOYD GEORGE asked if M. Barthou thought the line was the right one.

M. BARTHOU said he would like to think it over as he had not studied the Eastern Galician question.

<sup>21</sup> Obviously a typing error for 'anti-Polish'.

He then asked Mr. Lloyd George if he could put in a friendly word to France on some early occasion.

MR. LLOYD GEORGE said he would try to say something on Thursday when he had undertaken to see the British and American press.

M. BARTHOU then withdrew, saying that he hoped to be back on Saturday.

*Hotel Miramare, Genoa, May 2, 1922.*

## No. 107

s.G. 23] *Note of a Conversation between Mr. Lloyd George (who was accompanied by Sir Maurice Hankey) and M. van Karnebeek, at the Hotel Miramare, Genoa, on Tuesday, May 2, 1922, at 10.40 a.m.*

M. VAN KARNEBEEK said he was leaving on Saturday for Holland.

MR. LLOYD GEORGE pointed out that the Russian reply was not likely to be received before Monday. He did not think there was likely to be a direct acceptance of the Allied memorandum,<sup>1</sup> and there might be further conversations or important decisions to be taken.

M. VAN KARNEBEEK said he had thought that probably the reply would take a week or ten days. He asked if the question was likely to come up in the plenary session of the First Commission.

MR. LLOYD GEORGE said if a breach took place there would have to be a plenary meeting. He thought it was a great pity that M. van Karnebeek should have to go. It was very important that he should be in Genoa when the big decisions were taken. If the situation were not improved by the Russian reply it would be worse than before. If peace were not made it would be a very serious matter.

M. VAN KARNEBEEK said that his Government had always felt that. They had regarded it as a European question, and had welcomed the opportunity of this conference.

MR. LLOYD GEORGE pointed out that the independent efforts of the Baltic States and Poland and Czechoslovakia to make peace with Russia had really not met with much success.

M. VAN KARNEBEEK said his difficulty was that he had to defend his budget in the Senate, which would not meet after the 19th May. Possibly, however, he might arrange to stay a little longer.

MR. LLOYD GEORGE said it was vital that M. van Karnebeek, with his great experience, should be in Genoa when the big decisions were taken. In reply to M. van Karnebeek, he thought that the Russian reply should be available by Monday and that they would receive a memorandum the same evening.

M. VAN KARNEBEEK asked what answer he anticipated.

MR. LLOYD GEORGE said that Dr. Benes thought that the Russians would refuse.

<sup>1</sup> See No. 108, Annex II, below.

M. VAN KARNEBEEK asked whether it was really probable that they could refuse such favourable terms.

MR. LLOYD GEORGE recalled that the Russians looked at it from the point of view of Communists, whereas the Western Powers regarded it from the point of view of their own political and economic systems. The main difficulty would be the private property clause, the matter being complicated by the slogan of the Soviets, 'Confiscation without compensation'.

M. VAN KARNEBEEK doubted if they were in a position to refuse such terms.

MR. LLOYD GEORGE said it would depend largely upon the matter of credits. They would scrutinise this part of the memorandum very carefully. He had heard a rumour that they would ask for four months in which to consider the matter. He himself regarded this as fatal. There would then be no settlement, and there would be an attack on Poland which would be encouraged by the Lithuanians. The Poles were acting very foolishly. They were a resurrected people, yet they were trying to extend their boundaries everywhere.

M. VAN KARNEBEEK agreed that they had a large appetite.

MR. LLOYD GEORGE said he was going to talk with M. Skirmunt the same evening in regard to this.

M. VAN KARNEBEEK remarked that Mr. Skirmunt was a very sensible and a moderate man, an opinion in which Mr. Lloyd George agreed. Continuing, M. van Karnebeek said he had hoped that a settlement had been more or less reached with the Russians.

MR. LLOYD GEORGE said that Dr. Benes insisted that they would not agree.

M. VAN KARNEBEEK asked if Dr. Benes wanted a settlement.

MR. LLOYD GEORGE said he had his suspicions himself, as Dr. Benes had been very active in getting the Russian trade for Czechoslovakia.

M. VAN KARNEBEEK said he had the same impression.

MR. LLOYD GEORGE said that he understood there were some thousands of Russians in the Czechoslovakian University. On the previous day his private secretary, Sir Edward Grigg, had been asked to see an extreme German Socialist who is in Genoa and who is in close touch with the Russians. This individual had said that the Russians had with them a committee of workmen and that these people made it very difficult for the Russian delegation to accept the property clause. He said there was a great struggle going on in the Russian camp.

M. VAN KARNEBEEK questioned whether the rulers of Russia were really Communists. He thought they wanted to retain their position.

MR. LLOYD GEORGE said that M. Lenin was a very big man, but he could not afford to quarrel with the workmen, who were the basis of his system.

M. VAN KARNEBEEK suggested that the peasants were also the basis.

MR. LLOYD GEORGE suggested this was not the case, as the peasants did not like the nationalisation of the land.

M. VAN KARNEBEEK remarked, however, that they had liked to have the land made over to them.

If Mr. Lloyd George's view was that the Russian reply might be returned by Monday, he would do his best to remain at Genoa.

MR. LLOYD GEORGE said it was very important that M. van Karnebeek should be present for the final decision as to whether to break with the Russians or not. It was a very serious matter. The United States of America would not touch Europe if there were a break, and Europe would have to get along as best she could without her two crutches, America and Russia.

M. VAN KARNEBEEK said that the reaction of the bad relations with Russia was felt even in the Dutch colonies, not merely economically, but politically. There were anarchists in these colonies who had their leaders, and these exaggerated the position in Russia. Politically, therefore, it was very important to Holland to get a settlement. He really doubted if the Russians could reject such good terms.

MR. LLOYD GEORGE repeated that the property clause was the difficulty.

M. VAN KARNEBEEK asked whether the document could contain anything else on the subject of credits than was stated in the preamble.

MR. LLOYD GEORGE said the Russians would certainly ask for more.

M. VAN KARNEBEEK asked if this would be from Treasury to Treasury.

MR. LLOYD GEORGE replied in the negative. The biggest credits were offered by Great Britain. However, these were not specifically allocated to Russia, but to the whole of Europe. The Soviet representatives would ask how much would be allocated to Russia. He was having this question considered. M. Krassin would at once ask what guarantees there were that Russia would get anything. He thought, therefore, they must go a little further. He asked if Holland had any exports credits scheme.

M. VAN KARNEBEEK said the matter was under discussion, and it was perhaps not unacceptable to Holland.

MR. LLOYD GEORGE said that, if the Dutch Government could say that if the scheme proved acceptable such-and-such a sum would be available for assistance to Russia, it would be a great advantage. In Great Britain there was a committee.<sup>2</sup> Suppose the British Government could say that there were 15 to 20 millions available, and that, if the committee approved, this amount could be devoted to the encouragement of traders who wished to do business with Russia, it would greatly facilitate an agreement. He asked M. van Karnebeek to consider the same idea from the point of view of Holland. He said he understood there was a good deal of money available in Holland.

M. VAN KARNEBEEK said that their Treasury was in a bad condition, but he would discuss the whole question with the Minister of Finance.

MR. LLOYD GEORGE asked him to discuss the matter with Sir Laming Worthington-Evans.

M. VAN KARNEBEEK agreed to do so.

<sup>2</sup> The Trade Facilities Act, 1921 (see No. 81, n. 5) had laid down that the Treasury, before guaranteeing the payment of any loan, should consult an advisory committee (nominated by the Treasury) to decide whether the proposed loan was intended for the purposes stated in the Act.



MR. LLOYD GEORGE said that he himself would see M. Jaspar, then all the contributions could be considered from this point of view.

M. VAN KARNEBEEK again asked to be clear that there was to be no money from the Western Governments to the Russian Government.

MR. LLOYD GEORGE said this was not the proposal. It was only suggested to have a scheme whereby traders would be enabled to get long credits. Three month's credits were no use in dealing with Russia; two years' credits were necessary. They were only considering a guarantee to traders. Supposing, for example, a firm of agricultural implement makers wanted assistance. They might say, 'If the Government will take 25 per cent. or 50 per cent. of the risk, our bankers will take the rest.'

M. VAN KARNEBEEK said a scheme of this kind had been considered. The Dutch Government felt a doubt, however, as to whether their people would take the risk of doing business in Russia in present conditions. They had sent a note to the Sub-Committee of the First Commission<sup>3</sup> suggesting that a juridical committee should be set up to consider the matter.

MR. LLOYD GEORGE said that the London experts had worked out a scheme.<sup>4</sup>

M. VAN KARNEBEEK said that this was only a part of the whole. Consider the case of a man who goes back to Russia and gets back either his house or the use of his former house. He would then require servants, employees and so forth. But before going he would want to know what his situation was going to be, whether he had security of tenure. He felt that a commission of clever people should go to Russia and investigate the matter there and try and build up a system of security.

MR. LLOYD GEORGE said that if the Russians accepted the memorandum this might be tried.

M. VAN KARNEBEEK agreed. Otherwise he was afraid that, even though credits were opened, no one would go to Russia. There were three anarchists who were virtually agents of Lenin in the Dutch Parliament due to the system of proportional representation. It had been thought in Holland that, if only Russia were opened, small traders could go there and find a paradise. In Parliament, he himself had replied that only the big firms would be able to go there. He believed this to be the truth.

MR. LLOYD GEORGE agreed that the smaller men could only establish themselves in Russia gradually.

M. VAN KARNEBEEK said that this is why they had thought that the work begun at Genoa might be continued by a commission in Russia itself.

MR. LLOYD GEORGE said that, if M. van Karnebeek would stay, he thought it would be a great advantage to all. There would be a very big European decision to be taken. The decisions were now being fined down to a narrow point, but it was at that point that the real judgement and responsibility was required. M. Barthou was going back to Paris to obtain full instructions to make peace with Russia.

<sup>3</sup> Of April 20 (N3921/646/38), not printed.

<sup>4</sup> See No. 56, Appendix.

M. VAN KARNEBEEK said that he would telegraph to The Hague the same day.

He then said there were many rumours afloat in regard to the pact of non-aggression, and the object of his visit had really been to discuss this matter. He had heard rumours that things were to be inserted in the pact which would make it difficult for Holland and other neutrals, as having the impression that they gave countenance to the peace treaties.

MR. LLOYD GEORGE said he understood that the neutrals did recognise the treaties as a fact.

M. VAN KARNEBEEK agreed.

MR. LLOYD GEORGE said that France was afraid lest the treaty of non-aggression should impinge on [her] rights under the peace treaties. There ought to be some phrase which would avoid impinging on these treaties. In the pact it was proposed to say that no one must attack its neighbour. France then said, 'Well, does that deprive us of the right to march into the Ruhr?' He thought it might be possible to introduce some formula to show that this was done without prejudice to or infringing the existing treaties.

M. VAN KARNEBEEK said he had no objection to this.

MR. LLOYD GEORGE said that the real object was to prevent the Russians from attacking Poland or Poland from attacking Lithuania or Russia from attacking Roumania. Before it could be signed, however, it would be necessary for Poland and Lithuania to talk to Russia and for Roumania to talk to Russia in regard to their frontiers. The first step, however, was to see M. Skirmunt. At present there was no proper basis for negotiation.

M. VAN KARNEBEEK said that in some ways the pact appeared to go further than article 10 of the Covenant.

MR. LLOYD GEORGE pointed out that article 10 had a sanction, whereas this was not the case with the pact.

M. VAN KARNEBEEK replied that the League of Nations Covenant provided for legitimate and illegitimate wars. He thought that the pact might tend to weaken the League of Nations, since nations which had signed it might prefer not to incur the obligations of the Covenant.

MR. LLOYD GEORGE suggested that the pact ought to be tacked on to the League of Nations somehow. It would not be right to have a separate group of nations outside the League. Unfortunately, the Upper Silesian decision<sup>5</sup> had rather weakened the League with the Germans.

M. VAN KARNEBEEK said he understood there was an idea of some plan for consultation, as in the case of the Four-Pact Treaty.<sup>6</sup>

MR. LLOYD GEORGE agreed. He thought it would not be long before Germany and Russia would come into the League of Nations.

M. VAN KARNEBEEK said he had talked with Dr. Rathenau on the subject

<sup>5</sup> For the recommendation of the Council of the League on Upper Silesia, see H. W. V. Temperley (ed.), *A History of the Peace Conference of Paris*, op. cit., vol. vi, pp. 620-3. See also Vol. XVI, Chapter II.

<sup>6</sup> A reference to the Quadruple Treaty between the United States, the British Empire, France and Japan, signed at Washington on December 13, 1921 (see Vol. XIV, No. 499).

and had gathered that he was not at all keen on entering the League of Nations, which he said did harm to Germany. He himself had replied that in this case Germany ought to come into the League and get a place on the Council, where unanimity was required.

MR. LLOYD GEORGE thought that Dr. Rathenau was rather out for mischief. It was very important that America, Russia and Germany should come into the League of Nations. At present the trouble was that, if Great Britain and France disagreed, all the other nations were disturbed. Moreover, there was no support for the pacific position of Great Britain, and the League had become rather a lop-sided affair. It was very important to try and bring in America, Russia and Germany. He thought that the pact of peace should somehow be tacked on to the League of Nations.

*Hotel Miramare, Genoa, May 2, 1922.*

### No. 108

P.C.S. 8] *Meeting of Members of the Sub-Commission of the First Commission held on May 2, 1922, at 4.30 p.m., in the Palazzo Reale, Genoa.*

PRESENT:<sup>1</sup> *President:* Signor Schanzer.

*British Empire:* The Rt. Hon. D. Lloyd George, O.M., M.P.

*France:* M. Barrère.

*Italy:* Signor Schanzer.

*Japan:* Viscount Ishii.

*Poland:* M. Skirmunt.

*Roumania:* M. Bratiano.

*Switzerland:* M. Motta.

The meeting opened at 4.30 P.M.

The president opened the discussion on the memorandum to be sent to the Russian delegation (Annex I).<sup>2</sup>

MR. LLOYD GEORGE observed that they should first of all decide what procedure should be adopted in transmitting the memorandum to the Russian delegation. He thought it was unnecessary to submit the memorandum for approval to a plenary sitting of the First Commission. The sub-commission had received a general mandate from the commission, and was therefore competent to transmit the document on behalf of the conference. Consequently, the speaker thought that the sub-commission itself could send the memorandum to M. Chicherin in its own name.

THE PRESIDENT supported Mr. Lloyd George's point of view; the negotiations begun with the Russian delegation had not yet reached their final

<sup>1</sup> In his telegram No. 132 of May 2 to Lord Curzon, Mr. Gregory reported: 'Belgian delegation absented themselves from meeting of sub-committee first commission this afternoon and Signor Schanzer announced that in consequence of rejection of Belgian amendment on the subject of private debts, M. Jaspar would not sign draft for submission to Russians.'

<sup>2</sup> Not printed. For the memorandum in its final form, see Annex II.

phase. There was no reason why the document on which they agreed should not be forwarded to the Russian delegation at once. In the speaker's opinion, the plenary commission should be convened when the reply of the Russian Government was known and when it was necessary to draft the text of a definite arrangement with Russia.

Continuing, the President said that under those conditions he thought the first sentence of the memorandum should be altered. The words, 'the representatives of the Powers assembled at the Genoa Conference. . . .' should be replaced by the following words: 'the representatives of the Powers taking part in the Sub-Commission of the First Commission, with the exception of Russia and Germany . . .'. He added that, in order that all the delegations represented at the conference should become acquainted with the memorandum as soon as possible, he thought that a copy should be sent to them at once.

M. SKIRMUNT thought that there would be considerable objection to convening the plenary conference, for it would involve further delay. He thought that the phrase with which the memorandum began should not be altered; as a matter of fact, the sub-commission had received its powers from the commission, and was qualified to speak in the name of the latter.

THE PRESIDENT maintained his point of view, because it was not the commission itself, but the sub-commission which was sending the memorandum. He added that though the sub-commission spoke in the name of the commission, if they decided to send the memorandum in the name of the commission itself, it would be advisable to refer it to the latter at once.

M. SKIRMUNT asked that it should be made quite clear that the sub-commission was acting as an organ of the conference.

THE PRESIDENT replied that it was understood that the sub-commission was acting as such, and he asked the commission to find a suitable formula.

At this point the French delegation entered.

M. BARRÈRE said that owing to the divergence of opinion which had arisen between the Belgian delegation and the other delegations with regard to the memorandum,<sup>3</sup> the French Government had instructed the French delegation to postpone its final adhesion to this document until M. Barthou had had an opportunity of discussing the matter with the French Government.

MR. LLOYD GEORGE asked how soon approximately they might expect to have the reply of the French Government.

M. BARRÈRE replied that he was unable to give any further information; as soon as M. Poincaré and M. Barthou had exchanged views on the question he supposed that instructions would be given to the French delegation.

THE PRESIDENT thought that under those conditions it was impossible to send the memorandum to the Russian delegation in the name of the sub-commission. For his part he could not take such a responsibility. However, he proposed that pending final decision on that subject, they should proceed to examine the draft as a whole, the revised text of which had just been prepared by the Committee of Jurists.<sup>4</sup>

<sup>3</sup> See No. 105.

<sup>4</sup> See No. 100.

MR. LLOYD GEORGE said he would like to express his opinion at once on the incident which had just occurred. He had been with M. Barthou that morning<sup>5</sup> from 9.30 to 10.30, and had had a very friendly conversation upon the whole situation. M. Barthou had not given him the slightest indication that there would be any difficulty of this kind. The speaker supposed that the difficulty must have arisen since, as M. Barthou had gone straight from him to the station. He pointed out also that the delay asked for by the French delegation was likely to be serious, for M. Barthou would not, he supposed, arrive in Paris until the following day.

M. BARRÈRE said that the instructions from his Government had reached him an hour before the meeting. When M. Barthou met Mr. Lloyd George he was quite unaware of those instructions.

MR. LLOYD GEORGE said he was quite willing that the commission should examine at once the texts submitted by the jurists; later on they would have to consider seriously the situation created by the very important communication made by M. Barrère for which the meeting had been quite unprepared.

THE PRESIDENT accordingly returned to the wording he had suggested for the beginning of the memorandum. He asked the delegates to come to a decision on that subject.

The President proceeded to inform the meeting that M. Jaspar had asked him to omit from the preamble the passage concerning Belgium. That request seemed justified since Belgium felt compelled to refuse to accept clause 6 of the memorandum. The President asked the assembly to decide that point. The amendment was approved, and, as no other observation was made with regard to the preamble, the President proposed that it should conclude with the following words:—

‘Accordingly the following conditions concerning the most important questions to be determined are presented to the Russian delegation.’

That proposal was adopted.

The memorandum was then read clause by clause.

Clauses 1 and 2 were adopted without discussion.

With regard to clause 3, M. BRATIANO said that the text should be made more explicit by the addition of the words, ‘and securities,’ after the words, ‘the articles’.

THE PRESIDENT asked that the discussion on clause 3 should be suspended provisionally, as the legal experts intended to propose a new text.

Clauses 4 and 5 were adopted without discussion.

As the Committee of Jurists had not completed the drafting of the other clauses, the sitting was adjourned at 5.10 p.m., and resumed at 5.50 p.m.

The President said that with regard to clause 3, the legal experts had raised the question of what attitude would be adopted should the Russian Government refuse to restore the articles and securities deposited at Moscow. The meeting must decide whether a stipulation should be made that in that case Russia should be required to make compensation.

<sup>5</sup> See No. 106.

M. BRATIANO thought they must specify with what court the final decision of that subject would rest. In his opinion it would be best to refer any difficulty which might arise in that respect to one of the mixed tribunals provided for in the memorandum.

The meeting decided to refer the decision concerning clause 3, and THE PRESIDENT proceeded to read clause 6. He pointed out that paragraph 4 laid down that the Soviet Government alone, and not the holders of bonds as well should undertake to recognise the decisions of the Mixed Arbitral Commission.

M. COLRAT (French assistant delegate) thought that it was impossible for the Government to demand obligations of that kind from the holders of bonds.

THE PRESIDENT, whilst considering that the text of the clause pre-supposed the obligation of the holders, thought that a definition would be necessary in this connection; Russia could not be asked to undertake the unilateral obligation of accepting the decisions of the Arbitral Commission.

M. SEYDOUX (French assistant delegate) pointed out that holders could not be forced to incur obligations of any kind against their will.

SIR LAMING WORTHINGTON-EVANS (British assistant delegate) thought that the text of clause 6 implied the obligation of both parties. On the other hand, he pointed out that a word was omitted in the third line: the word 'foreign' should be inserted before 'holders'.

This was adopted by the meeting.

THE PRESIDENT stated that clause 6 was accepted with the addition of the word 'foreign' before 'holders'. He then read clause 7.

SIR LAMING WORTHINGTON-EVANS said that instead of the words 'on the 1st November, 1917' (paragraph 5), he wanted to insert the words, 'at the date of nationalisation'. The nationalisation might have taken place at a later date. That amendment was agreed to.

SIR CECIL HURST (expert for Great Britain) then referred again to the question dealt with in clause 2. At the time when the original scheme was framed by the experts in London, it was intended that there should be a schedule of inter-Governmental indebtedness, indicating the sums due by the Russian Government to each of the other Governments concerned, and *vice versa*. There was a subsidiary provision that all inter-Governmental liabilities, other than those mentioned in the clauses, should be extinguished. The new provisions which had now been adopted with regard to the war debts had left uncertain the question whether those other inter-Governmental liabilities were intended to remain as they were, or whether they were intended to be immediately extinguished, or whether they were intended to be treated in the same way as the war debts, and left in suspense until such time as the matter of the war debts could be regulated. After consideration of the matter by jurists that morning, and after consulting the delegates of the Powers concerned, it was ascertained that their intention had been that those inter-Governmental claims, other than those mentioned in the various clauses, should be kept in suspense until such date as there was an agreement

with regard to the war debts, and that they should then be extinguished. The jurists had, therefore, framed for the consideration of the commission the following clause:—

‘All financial claims by other Governments upon the Russian Government, and by the Russian Government upon other Governments, excepting those dealt with in these clauses, shall remain in suspense until the agreement referred to under clause 2, paragraph 3, has been concluded. Subject to any special arrangement which may be made, the claims shall then be extinguished. Nevertheless, this clause shall not apply to claims on behalf of the nationals of other Powers on account of the action in Russia of the Russian Government, or to claims on behalf of Russian nationals on account of the action in other countries of the Governments of those countries.’

THE PRESIDENT enquired whether that provision would constitute a new clause, or whether it would merely be an addition to clause 2.

SIR CECIL HURST said that it would be better as a new clause 3, and, in that case, the clause dealing with the Roumanian treasure<sup>6</sup> would come at the end of the draft.

VISCOUNT ISHII objected to that clause on the ground that it might endanger the negotiations actually proceeding between Japan and the Government of the Russian Maritime Province with regard to the withdrawal of the Japanese troops who were within the territory of that province.<sup>7</sup> If the settlement of that question remained in suspense until the conclusion of the agreement as to war debts, Japan could not withdraw her troops, and she was specially anxious to maintain her entire freedom of action in that matter.

THE PRESIDENT remarked that it was difficult to appreciate the connection between the clause of which Sir Cecil Hurst had spoken, and the withdrawal of Japanese troops from the Russian Maritime Province.

VISCOUNT ISHII explained that the Japanese Government had obligations to enforce against the Government of the Maritime Province, and the withdrawal of the Japanese troops depended on the settlement of those obligations. The Japanese Government could not agree that that settlement, and consequently the withdrawal of its troops, should be subordinated to the general settlement of Russian war debts.

MR. LLOYD GEORGE thought that the words, ‘subject to any special arrangement which may be made,’ inserted in the text which Sir Cecil Hurst had just suggested, would safeguard the freedom of action of the Japanese Government.

VISCOUNT ISHII, as a result of that amendment, agreed to the wording proposed by Sir Cecil Hurst.

No further objections having been raised, THE PRESIDENT announced that the new clause 3 had been adopted, and that the French version would be drafted by M. Fromageot.

With regard to the old clause 3 (Roumanian treasure), it was decided to make it into a new clause (13), which would be placed at the end of the draft in its present form.

<sup>6</sup> See No. 47, n. 3.

<sup>7</sup> See No. 89, n. 9.

The President then called upon the delegates to resume the consideration of clause 7.

M. SEYDOUX thought that it would be advisable to insert after the fourth paragraph the following paragraph:—

‘In cases where the Russian Soviet Government cannot restore the property itself, it shall not be entitled to grant it afterwards to other concession holders. If the Russian Soviet Government proposes at a later date to make a draft of that kind, preference rights shall be reserved to the former owners. If the exploiting of the property can only be ensured by incorporating it in a general group, the preceding provision shall not apply, but the former owner shall have the right to take part in this group in proportion to his former rights.’

He considered that it was essential to insert that provision in order to prevent property, the restitution of which could not be obtained by the former owners, being transferred to third parties. If, on the other hand, the property has already been granted to a trust or an industrial group, this clause will enable the owners to insist on their right of entering the trust. It would in that way be unnecessary to suppress the trust in order to restore the property to the former owners, who, on their side, would not be entirely driven out. He believed that the clause which he proposed was prudent and reasonable, and that it took into consideration all the different interests. He further proposed, in view of the length of clause 7, to number the paragraphs.

MR. LLOYD GEORGE said that every line that they added to clause 7 imperilled the negotiations with the Russian delegation. If there were a rupture, it would be on that clause, and every ounce of weight which they added to it might sink the Genoa Conference. After a good deal of discussion, they had agreed to the clause. Belgium would not agree. France did agree. M. Barthou had proposed an amendment which was accepted by the whole of the conference. Still, Belgium did not agree. He regretted that very much, but, although he attached a good deal of importance to getting the assent of Belgium, he did not think it was so important that they ought to endanger the whole success of the conference in order to obtain it and face the terrible consequences of failure. The amendment proposed by M. Seydoux was undoubtedly a very considerable extension of the provisions of article 7, and it added a new peril to the negotiations. Personally, he would be ready to face that for the sake of getting the assent of France, provided that the French delegation declared their willingness to let Signor Schanzer send that document along at once to the Russian delegation. It was not a question of signing; before they came to signing there were a good many things they would have to go through in addition to that. If, however, the French delegation merely wanted to insert that provision, then, in order to enable Belgium to use it on the following day as a basis for fresh demands, he would not, speaking on behalf of the British delegation, assent to the insertion of those words. He was prepared to assent to them for the purpose of getting co-operation with France, to which he had always attached the most serious



and solemn importance. He had always thought that it was vital that his country and France should work side by side. He thought the peace of Europe depended upon it. The freedom of Europe depended upon it, and he was prepared even to take the risk of seeing the negotiations fail, which he considered a great one, in order that they should work together for British democracy and French democracy. But if the French delegates said that, even if the British delegates agreed to it, they could not allow that document to go forward that evening, then he was very sorry to say that he must resist the insertion of those words. He could not think of anything which would be more disastrous to Europe than that that conference should end in a certain number of Powers making arrangements with Russia and others remaining outside. It might end in a new grouping of Europe of which one could not see the end. But peace had to be made, and he would make a very earnest appeal to his friends and comrades, with whom he had worked in peace and in war, that they should say that, if that conference agreed to the insertion of those words, they would allow Signor Schanzer to send that document forward for consideration by the Russians. If they did that, he withdrew his objection; but if it was simply inserted there in order that Belgium the next day should make further and fresh demands, then he was afraid he could not agree, whatever the consequences might be.

M. BARRÈRE had been profoundly touched by the appeal which Mr. Lloyd George had just made to him. Nobody was convinced more than he was that the peace of the world depended on Franco-British co-operation. He observed that the object of the amendment proposed by M. Seydoux was to enable the Belgian delegation so far as possible to support the memorandum. That was a proof, which he begged Mr. Lloyd George to recognise, of the earnest desire of the French delegation to arrive at a general agreement on that subject. At the same time, he asked Mr. Lloyd George to appreciate the special situation of the French delegation; they had received from their Government definite instructions to suspend their final adhesion to the memorandum. He would make every effort, within the limits of his instructions, to meet the wishes of delegates. Influenced by that desire, he would not raise any objection to the despatch of the memorandum to the Russian delegation, but it was to be clearly understood that it was to be sent subject to the general reservation already made on behalf of the French delegation.

MR. LLOYD GEORGE said that he fully appreciated the difficulty which M. Barrère was in. M. Barrère was an Ambassador of very great standing, but an Ambassador was not quite in the same position as a Minister. He therefore agreed to Signor Schanzer making it quite clear in handing over the memorandum that it was sent subject to the reservation of the French delegation in respect of article 7.

THE PRESIDENT thanked M. Barrère for the conciliatory spirit which he had shown. He added that, since the President himself had the duty of sending the memorandum to the Russian delegation, it was necessary clearly to fix the conditions under which that memorandum would be sent. He thought that it was quite in accordance with the spirit of M. Barrère's

proposal that the memorandum should begin with the sentence already accepted. As France was included among the Powers represented on the sub-commission, the president would mention the reservations which France made as to clause 7 in the covering letter.

M. BARRÈRE said that the reservation of the French delegation related to clause 7, but that the French Government suspended its adhesion to the memorandum as a whole until in a position to form an opinion as to the final text of that document.

THE PRESIDENT considered that in those circumstances the French reservation applied to the whole document. He asked M. Barrère to state its exact terms, as he could not himself take the responsibility for the wording.

MR. LLOYD GEORGE said that, so far as he could understand, it was really a reservation which had been made with a desire to give a certain amount of support to Belgium. That was purely on clause 7. Belgium agreed to every other clause. He therefore could not see that there was any other question in reserve except clause 7.

M. COLRAT said that the French Government had raised an objection with regard to clause 7; in raising that objection they had instructed their delegation to suspend its final agreement to the memorandum until they had heard the explanations of M. Barthou. In those circumstances, the sincere opinion of the French delegation was that the French reservation dealt specially with clause 7, but that it was at the same time impossible for the delegation to give its consent to the memorandum as a whole until it had been authorised to do so by its Government. On the other hand, the French delegation saw no objection to the memorandum being sent to the Russian delegation subject to that reservation.

THE PRESIDENT again asked the French delegation to draft the exact text of its reservation, all the more so since it appeared to relate to the whole of the document, and that the drafting was a very delicate matter. He did not wish himself to undertake such a responsibility.

M. MOTTA was glad to notice that the situation, which had seemed very strained, now made it possible to foresee a satisfactory solution; thanks to the spirit of conciliation which M. Barrère had shown, the memorandum could be sent to the Russian delegation. He willingly agreed to M. Seydoux's amendment, especially as they might hope after that concession that Belgium would adhere to the memorandum. He then pointed out that certain Powers, including Switzerland, had already expressed their agreement with the draft memorandum because they had realised that the Powers were in agreement upon it and because they did not wish in any way to compromise that state of affairs. If that had not been the case, they would have had many observations to make. He would therefore have considered it deplorable to send the document to the Russian delegation as long as the French delegation persisted in its opposition. But, since M. Barrère agreed to its being sent, the disadvantages of that procedure disappeared. On the other hand, the adoption of the French reservation was not dangerous, because it would show the Soviet delegation that agreement had only been realised at the cost of serious

concessions and that they also, therefore, should be animated by a like spirit of conciliation.

M. BARRÈRE said that it was inaccurate to say that he agreed to the despatch of the document; he merely did not object to it.

MR. LLOYD GEORGE suggested that the following words be added to Signor Schanzer's letter:—

'I have to add that the French delegation reserves its final approval to the enclosed documents until it receives instructions from its Government.'

M. BARRÈRE accepted that wording.

MR. LLOYD GEORGE agreed in those circumstances to M. Seydoux's amendment.

VISCOUNT ISHII agreed to the document being sent to the Russian delegation provided that the wording proposed by Sir Cecil Hurst in relation to paragraph 2 of article 3 was adopted.

No objection having been raised with regard to articles 8, 9, 10, 11 and 12, THE PRESIDENT said that the draft memorandum had been approved; it would contain a new article 3 as drawn up by the jurists, and the amendment proposed by M. Seydoux and which the Italian delegation supported, would be inserted in the body of clause 7. (For the final text of the memorandum, see Annex II.) The reference to the Roumanian treasure would be inserted in the memorandum as a new clause 13.

The covering letter would read: 'I have the honour to forward you the enclosed memorandum.' The French reservation would follow, as drafted by Mr. Lloyd George.

MR. LLOYD GEORGE thought that more ought to be said in the covering letter. They had not settled boundaries with Russia, and they must not imagine that peace could be made with Russia until the boundary question had been settled. Roumania would be the first to suffer if they made peace with Russia without settling the boundaries of Bessarabia and without knowing in the least where Poland was, and all the rest. Grave danger would result. He hoped Signor Schanzer would make it clear in his letter that if there was an agreement upon the points in the memorandum, they must further discuss the question of boundaries, the question of non-aggression, and the question of recognition. He thought that the Russian delegation should be informed that those questions would be discussed later if they accepted the memorandum.

THE PRESIDENT did not raise any objection to Mr. Lloyd George's point of view, but thought that in view of the importance of such a letter it should be drafted collectively. He thought it would be better to trust the drafting to the jurists.

M. BRATIANO heartily welcomed Mr. Lloyd George's proposal; the settlement of the question of Bessarabia was most important for the peace of Europe.<sup>8</sup> He thought that a delegate of Roumania ought to co-operate with the jurists in drafting that part of the letter which concerned Bessarabia.

M. BARRÈRE agreed that, if the covering letter was to be as important as

<sup>8</sup> No. 82, n. 11.

Mr. Lloyd George proposed, the drafting of it should be entrusted to the jurists. He further asked the commission to fix a time limit within which the Russian delegation should reply to the memorandum.

M. SKIRMUNT was of opinion that the scheme outlined by Mr. Lloyd George dealt with problems of exceptional gravity. Some of them were not within the competence of the Genoa Conference, but within that of the Allied and Associated Powers. However that might be, and though he was afraid of introducing those questions in the covering letter, he would like a delegate of Poland to take part in the drafting of the letter, in view of the interest of that country in all the questions concerned.

MR. LLOYD GEORGE said that as the drafting of the letter was likely to take as much time as the drafting of the memorandum, he withdrew from his position at once, and agreed to the original proposition of Signor Schanzer that he should send a letter in simple form. He only wanted to safeguard Poland and Roumania, but as Poland was in no hurry to be safeguarded, it was none of his business.

As the memorandum did not occasion any further remarks on the part of the delegates, THE PRESIDENT promised that it would be sent to the Russian delegation the same evening, as soon as the Committee of Jurists had finished drafting the final text, as it had been adopted by the assembly.

*(The sitting then came to an end at 8.35 p.m.)*

#### ANNEX II TO NO. 108.

*Signor Schanzer to M. Chicherin.<sup>9</sup>*

Mr. Vice-President,

I have the honour to transmit to you the enclosed document.

I have to add that the French delegation defers its final approval of the enclosed document until it has received instructions from its Government.

Please accept, Mr. Vice-President, the assurances of my highest consideration.

F. SCHANZER

*Document transmitted to M. Chicherin.*

The problem of the restoration of Russia, with a view to the re-establishment of peace over the whole of the Continent of Europe, has been considered in the most serious and sympathetic manner. There is a general and sincere desire that friendly relations should be restored among all the nations, and that the Russian people may take its historic place among the European Powers.

Russia, in the past, has been an important element in the economic system of Europe. But to-day her exhaustion is complete after the events which have drained her resources for the last eight years, and her elimination from the European economic system has added to the troubles from which the world is suffering.

<sup>9</sup> This letter and enclosed memorandum is published in Cmd. 1667 (1922), pp. 28-36, and in *F.R.U.S.*, 1922, vol. ii, pp. 777-86.

Every year the world deficiency in food and raw material, due to the failure of Russian supplies, is being made up from other sources.

In due course, the gap would be filled so far as the rest of Europe is concerned, for trade, like water, finds new channels when the older channels are blocked. But in Russia itself, privation, misery and famine would continue to spread and thus constitute a plague spot of increasing menace to the European system. Such a fate for Russia and for Europe the Powers are deeply anxious to avert.

The reconstitution of Russia must take place above all in the interests of Russia itself. But Russian prosperity cannot be revived without the assistance of the capital and the commercial experience of the West. As soon as the feeling of security has been revived in Russia, that is to say, when the nationals of foreign countries have guarantees that they can resume their former industrial or commercial and agricultural undertakings, and start new ones, with the certainty that their property and their rights will be respected, and the fruits of their enterprise secured them, they will hasten to afford Russia the benefit of their technical knowledge, their work and their capital.

Russia is a country of great possibilities. Economic disaster has paralysed, but has not destroyed her resources. If Russia and the Russian people are to recover, the resources of Russia must be developed. Her agriculture, which is fundamental to her economic system, must be restored; her mines must be reopened; and her factories must be set to work again. The other nations of the world played a great part in the development of Russia. They will play that part again as soon as Russia establishes conditions which command their confidence.

The needs of Russia are so manifold that they can only be met by once more throwing open the Russian market to foreign manufacturers and traders. To-day, Russia is urgently in need not only of food and clothing, medical supplies and other necessities of normal existence, but also of locomotives, waggons, agricultural implements, tools, machinery and port appliances. If these goods are not supplied to Russia, her transport system will fall to pieces, her industries will rapidly become derelict, and the yield from the land will steadily fall.

All these supplies can be furnished by the industrial countries. As soon as security in Russia has been re-established for former owners and debts are recognised, the importation of these necessities will recommence. Capital will flow into Russia the moment confidence begins to revive. And at the same time foreign enterprise and experience will be available for the reconstruction of the country.

There is not a country which is unable to render an effective contribution to the work of reconstructing Russia; some by financial help, others by the rapid resumption of the manufactures or public utility undertakings which they owned there; and still others, by the skilled workers which they will be able to send there. All the countries represented at Genoa have indicated their willingness to co-operate in this work, each according to its capacity.

Their Governments also are ready to hasten this restoration. It will be

necessary to overcome the hesitation on the part of business men, who will fear the loss of capital which they might sink in a country thus deprived for the time-being of the normal means of production. As soon, however, as the first pioneers have succeeded in their enterprise, others will follow in their footsteps. The object and the justification of Government assistance will be to make these first attempts succeed.

Measures have already been taken in several countries for this purpose, and Russia will be able to obtain the benefit of these measures as soon as it is possible to conclude with Russia an arrangement in conformity with the clauses which follow.

Several countries of Europe have decided to establish an international corporation with an initial capital of £20,000,000. Its aim is to finance reconstruction and development undertakings in Europe, which without assistance, would have difficulty in procuring the necessary funds. This sum may seem small in comparison with the magnitude of the work to be done. But it only includes the capital subscribed through the national companies formed in the leading countries. Behind it stand the resources of all these countries, resources which are available for financing operations approved by the international corporation.

In addition to this, certain countries are in a position to advance immediately substantial sums to those of their nationals who will trade with Russia or settle there for that purpose. To these facilities must be added the private credits which manufacturers who have the assurance that their undertakings can be successfully resumed in Russia will not fail to receive from the national banks.

The British Government can guarantee, under the Trade Facilities Act, the capital or interest required for capital undertakings, overseas as well as at home, to develop economic reconstruction in Europe. If the Soviet Government is prepared to take the steps needed to encourage enterprise, then this Act can be applied to Russia. The sum authorised by the Act was £25,000,000. If necessary, Parliament will be invited to increase the amount to be made available.

In addition to the facilities offered by this Act, there is an export credits scheme for financing the export of British goods. Under this scheme, the British Government is authorised to guarantee transactions up to £26,000,000. Of this £26,000,000, £11,000,000 has been pledged. The British Government will be prepared to invite Parliament to extend the duration of the Act in question.

France, by reason of the effort which she is obliged to make in order to restore her own devastated regions, cannot at this moment afford direct financial assistance for the reconstruction of Russia. Nevertheless, the French Government accepted at Cannes the principle of taking a part in the International Corporation equal to the English part.

France can send to Russia seeds of all sorts. Negotiations have already taken place with the Soviets on this subject. Detailed plans have been prepared for the despatch and use of tractors. Several thousands of these

tractors could be sent with the necessary technical personnel. Machines and technical personnel can be sent in order to establish veterinary stations and institutions for agricultural study.

With regard to transport; France can offer rolling-stock of approximately 1,200 locomotives, 25,000 goods-wagons, 3,500 railway carriages and vans. It would be possible to form a special company for undertaking repairs, and repair shops could be let to the company which would supply the technical personnel.

Finally, French industrialists, who in great numbers have contributed to the wealth of many parts of Russia, would be able to restart their establishments as soon as they received the necessary guarantees. These industrialists would undoubtedly find in France or abroad, thanks to the confidence which they inspire, the necessary capital and the technical staffs which will be needed.

Italy, by subscribing 20 per cent of the capital of the International Corporation, purposes to render substantial financial help as regards both the immediate aims of this organisation and its future development. She is also ready to support every undertaking which is set up in order to re-establish transport by rail or water, and to foster the marketing of Russian produce. She is also ready to contribute through her agricultural organisations and by her experience to the restoration of agriculture, and to participate in co-operation with Russia in the industrial and agricultural re-equipment of the country.

Offers of help are also held out by Japan. The Japanese Government, with a view to encouraging trade with Russia, have granted a credit of 8,000,000 yen to the Russo-Japanese Trading Company. The Japanese Government has also the intention of taking further measures, if it deems it necessary, with the object of furthering trade between the two countries.

Time is an indispensable factor in the reconstruction of Russia, but the important thing is to make a start. As soon as the first impulse has been given, as soon as the first pioneers have been able to settle in Russia and to make known the fact that they have been successful, and have demonstrated to themselves and their compatriots that the way which had been closed for so long is open and safe, others will follow and their number will be all the greater because the road has been barred so long.

In these circumstances, the following conditions, dealing with the more important questions requiring adjustment, are submitted to the Russian delegation by the delegations of Italy, France, Great Britain, Japan, Poland, Roumania, Switzerland and Sweden, represented on the Sub-Committee of the First Commission. The final approval, however, of the French delegation is reserved until it receives its instructions from its Government.

#### CLAUSE I.

In accordance with the terms of the Cannes resolution that all nations should undertake to refrain from propaganda subversive of order and of the established political system in other countries than their own, the Russian

Soviet Government will not interfere in any way in the internal affairs and will refrain from any action which might disturb the territorial and political *status quo* in other States. It will also suppress all attempts in its territory to assist revolutionary movements in other States.

The Russian Soviet Government will use all its influence to assist the restoration of peace in Asia Minor and will adopt an attitude of strict neutrality between the belligerent parties.

#### CLAUSE II.

1. In conformity with the Cannes resolution,<sup>10</sup> the Russian Soviet Government recognises all public debts and obligations, which have been contracted or guaranteed by the Imperial Russian Government, or the Russian Provisional Government, or by the Soviet Government itself towards foreign Powers.

Being desirous of facilitating the immediate reconstruction of Russia and the rehabilitation of her credit, the creditor Powers are willing to make no claim upon Russia at present, either as to capital or interest, for the repayment of the advances made to the Russian Governments during the war.

2. The Allies can admit no liability for the claims against them set up by the Russian Soviet Government for loss and damage suffered during the revolution in Russia since the war.

3. When an arrangement is concluded between the Allied and Associated Powers for the liquidation or rearrangement of war debts, the Allied Governments concerned will submit to their Parliaments measures for reducing or modifying the amount due by the Russian Soviet Government on similar lines and with due regard to the economic and financial condition of Russia; but these measures will be conditional on the renunciation by Russia of the claims mentioned in paragraph 2.

4. Where responsibility for liabilities contracted by the Russian Soviet Government or its predecessors towards foreign nationals has been assumed by a foreign Government, the liabilities will be treated on the same footing as private debts in accordance with clause IV.

5. The provisions of this clause will not apply to balances standing to the credit of a former Russian Government in any bank situated in a country of which the Government made advances to a former Russian Government or assumed responsibility for any Russian Government loan floated in that country between the 1st August, 1914, and the 7th November, 1917. Such balances shall, without prejudice to the rights of third parties, be transferred to the Government concerned. The liability of the Russian Soviet Government in respect of war debts shall be *pro tanto* reduced.

#### CLAUSE III.

All financial claims by other Governments upon the Russian Soviet Government, and by the Russian Soviet Government upon other Governments, excepting those dealt with in these clauses, shall, subject to any special

<sup>10</sup> See No. 6, Appendix.



arrangement which may be made, remain in suspense until the agreement referred to in clause II, paragraph 3, has been concluded. The claims shall then be extinguished.

Nevertheless, this claim shall not apply to claims on behalf of the nationals of other Powers on account of the action in Russia of the Russian Soviet Government, or to claims on behalf of Russian nationals on account of the action in other countries of the Governments of these countries.

#### CLAUSE IV.

In conformity with the general principle admitted by all Governments, the Russian Soviet Government recognises its obligation to fulfil the financial engagements which it or its predecessors, that is to say, the Imperial Russian Government or the Provisional Russian Government, have contracted *vis-à-vis* foreign nationals.

#### CLAUSE V.

The Russian Government undertakes to recognise, or to cause to be recognised, the financial engagements of all authorities in Russia, provincial or local, as well as all public utility enterprises in Russia contracted before this date *vis-à-vis* the nationals of other Powers, unless at the time when the engagement was contracted the territory in which the authority or enterprise was situated was not under the control of the Russian Soviet Government, or of the Russian Provisional Government, or of the Russian Imperial Government.

#### CLAUSE VI.

The Russian Soviet Government agrees to conclude an arrangement within twelve months of the coming into force of this clause with the representatives of foreign holders of bonds and bills issued or guaranteed by the Russian Soviet Government or its predecessors, for ensuring the restarting of the service of the loans and the payment of the bills. This arrangement will cover terms and dates of payment, including remission of interest, so that adequate account may be taken both of the actual conditions in Russia and of the necessity for her reconstruction.

The said arrangement shall apply as far as possible to all foreign holders without distinction of nationality.

In case a collective agreement cannot be reached, the benefit of an arrangement concluded with any particular group may be claimed by all other foreign holders.

If no such arrangement as is referred to in paragraph 1 can be concluded, the Russian Soviet Government agrees to accept the decision of an arbitration commission. This commission shall consist of a member appointed by the Russian Soviet Government, a member appointed by the foreign holders, two members and a president appointed by the President of the Supreme Court of the United States, or, failing him, by the Council of the League of Nations, or the President of the Permanent Court of International Justice at

The Hague. This commission shall decide all questions as to the remission of interest and as to the mode of payment of capital and interest, and will take into account in so doing the economic and financial condition of Russia.

The procedure laid down in this clause as to Russian Government bonds and bills shall also be applied in the case of the financial obligations referred in clause V.

#### CLAUSE VII.

In order to encourage the restarting of foreign economic activity in Russia and to permit foreign States to furnish to Russia the aid indicated above in the introduction and thereby to facilitate the restoration of the country, the Russian Soviet Government accepts the following arrangement with respect to private property.

Without prejudice to its freedom, as recognised in the Cannes resolution, to regulate its system of ownership, internal economy and Government, and to choose for itself the system which it prefers in this respect, the Russian Soviet Government recognises its obligation, in accordance with the said resolution, to restore or compensate all foreign interests for loss or damage caused to them when property has been confiscated or withheld.

In cases in which the previous owner is not enabled to resume possession of his former rights, the Russian Soviet Government will make an offer of compensation. If no agreement is come to between the previous owner and the Russian Soviet Government as to the nature and amount of the compensation, the previous owner shall be entitled to submit to the Mixed Arbitral Tribunal referred to hereafter the question whether the compensation offered by the Russian Soviet Government is just and adequate.

If the Mixed Arbitral Tribunal decides that the compensation is just and adequate, it must be accepted by the previous owner; but if the tribunal decides that the compensation is not just and adequate, and the Russian Soviet Government and the previous owner are still unable to reach an agreement as to the compensation, the previous owner shall receive from the Russian Soviet Government a grant of the enjoyment of the property on terms not less favourable in all matters relating to its use and disposition than the rights he previously possessed; provided, however, that where the Mixed Arbitral Tribunal decides that the grant of the enjoyment of the property is impracticable and that compensation must be given, the amount, if not agreed, shall be fixed by the Mixed Arbitral Tribunal and shall be payable in bonds. In cases in which the Russian Soviet Government cannot give back the property it shall not be entitled to hand it over hereafter to other parties. If the Russian Soviet Government proposed at a later date to hand it over as above, a preference shall be given to the previous owner.

If the exploitation of the property can only be ensured by its merger in a larger group, the preceding provision shall not apply, but the previous owner shall be entitled to participate in the group in proportion to his former rights.

The term 'previous owner' shall include Russian financial, industrial and

commercial companies, which at the date of nationalisation were controlled by nationals of other Powers, or in which at the same date such nationals possessed a substantial interest (either as shareholders or bondholders), if the majority of the foreign interests so desire. It shall also include a foreigner entitled to the beneficial use of property in Russia which was vested in a Russian nominee.

In cases in which a claim is not put forward in virtue of the preceding paragraph, a claim for compensation in conformity with this clause may be put forward by any foreign national interested in a Russian company in respect of injury or loss suffered by the company.

In the settlement of claims and in awards of compensation in respect of private property, provision shall be made for the protection of claims which third parties possessed against the property.

In cases where damage has been done to the property in consequence of the action or negligence of the Russian Soviet Government, compensation in accordance with the principles of international law shall be assessed by the Mixed Arbitral Tribunal.

#### CLAUSE VIII.

Provision shall be made by the Russian Soviet Government for enabling foreign nationals to enforce their claims against private persons in Russia.

If the payment of the sums due has been rendered impossible by the action or negligence of the Russian Soviet Government, the liability must be assumed by that Government.

#### CLAUSE IX.

Pecuniary compensation awarded under clause VII will be paid by the issue of new Russian 5 per cent. bonds for the amount fixed by the Mixed Arbitral Tribunal.

The terms as to the payment of interest on these new bonds, and the terms as to their amortisation, shall be similar *mutatis mutandis* to those for old bonds as fixed by the Arbitral Commission referred to in clause VI.

#### CLAUSE X.

Mixed arbitral tribunals shall be appointed for each country to decide questions as to the compensation to be paid under these clauses. These tribunals shall consist in respect of each country of one member appointed by the Russian Soviet Government, one member appointed by the Government of the national concerned, and a president appointed by the president of the Arbitral Commission referred to in clause VI.

#### CLAUSE XI.

The restarting in the shortest possible time of enterprises of all kinds which belonged to foreigners before the events of 1917, and the establishment of new enterprises being of the greatest importance for the rapid reconstruction

of Russia, the Russian Soviet Government undertakes to take all necessary measures for ensuring forthwith the protection of the person, the property and the labour of foreigners.

For this purpose, the administration of justice in Russia shall be provided for as set out in article 8 of the recommendations of the experts in London,<sup>11</sup> and foreigners shall be allowed to reside and trade in Russia in accordance with the provisions of articles 9-17 of the said recommendations.

## CLAUSE XII.

Special arrangements will be made in agreement with the Russian Soviet Government for the settlement of questions relating to the liquidation of pre-war contracts between Russian nationals and foreigners, and questions relating to prescriptions, limitations and foreclosures.

## CLAUSE XIII.

The Russian Soviet Government will restore to the Roumanian Government the valuables deposited at Moscow by the said Roumanian Government.<sup>12</sup>

*Genoa, May 2, 1922.*

<sup>11</sup> See No. 56, Appendix.

<sup>12</sup> In his telegram No. 158 of May 5 to the Foreign Office Mr. Gregory transmitted the following message from the Prime Minister for Mr. Austen Chamberlain: 'Final form of Russian memorandum was sent to you by bag last night. Clause 7 dealing with private property was submitted by Lloyd Greame to Urquhart [see No. 74, n. 14] as representing private owners of property in Russia and to president of Federation of British Industries and Associated Chambers of Commerce and was approved by them. It was also approved by all powers represented on first sub-commission excepting only Belgium, Barthou giving his adhesion on Monday in spite of fact that Belgium stood out. On Tuesday after Barthou's departure and after further unexpected instructions from Paris, French delegation moved an addition to clause to meet Belgian difficulty. This forms fifth and sixth paragraphs in clause as sent by bag. We accepted this as did all other powers present, French delegation agreeing that document should be presented to Russians in this form, though reserving their final adhesion pending the receipt of further instructions from French government. There are about 30 American special correspondents here and we have no doubt that American opinion is favourable to British policy though Americans of course do not want to have American properties in Russia collared behind their backs by British concessionnaires and on that single point share French and Belgian anxiety. There is however no ground for this anxiety and both Lord Chancellor and Secretary of State for War agree with me that memorandum is in complete accord not only with letter but with spirit of Cannes resolutions. Lord Chancellor probably returns to-night. Will see you Monday [May 8].'

In a memorandum of May 8, Mr. O'Malley (of the Northern Department of the Foreign Office) wrote: 'The memorandum prepared for the Russians asks everything—or practically everything—and offers nothing in return. The Russians cannot possibly accept it without endangering the position of the present Russian Gov[ernmen]t in the eyes of its supporters. The object of their reply will be to make it appear that they are not primarily responsible for the failure of Genoa.'

'The character of the memorandum would have been less inappropriate if it had arisen out of advances made to us by the Russians. But the reverse is the case. Ever since the correspondence on debts with the F[oreign] O[ffice] of October and November last (which

the Russians initiated) was superseded by the idea of Genoa, it is we who have courted and the Russians who have been coy.

'For this reason the memo[randum] will not please what for the sake of brevity can be called "anti-Bolsheviks". Because it offers nothing to Russia, it will not please the "pro-Bolsheviks". Neither will it be of use as propaganda or as a rallying point for neutral or moderate opinions. For those purposes a perfectly candid document would be required; and this memorandum is not perfectly candid. The implied promises of benefits to Russia through Trade Facilities Act, Exports Credits, International Corporation are pure eyewash and will be recognised as such by everyone familiar with those Acts or projects.

'The French policy of ostracism of Russia and the ultra-Radical policy of recognition plus loans were both possible policies. They may both have been mistaken policies or they may not, but they were both defensible with candid agreement. But the policy presented in this memorandum and the negotiations which produced it is neither flesh, fowl nor good red herring and it will render relations between ourselves and Russia more difficult than before.

'I have not ventured to express a personal opinion on this subject since last November when the negotiations to which I have referred above were taken out of our hands by the Prime Minister, and I only do so now in order to suggest that we should get back as far as we can and as soon as we can to the policy that we—as I understand it—then stood for.

'Our idea was, I think, that the only possible line was to stand by until circumstances forced the Russian Gov[ernment] by pressure of their desperate economic condition to ask for our assistance. We would have taken any opportunity that presented itself for pushing or encouraging them (especially Lenin) along the road towards sanity, and we would have stated our case publicly at each step with absolute frankness and moderation. The extravagancies of the Third International and so on could have been more or less ignored. If we had acted patiently and consistently on these lines without bothering from day to day about the attitude of foreign governments, we should gradually have commanded the assent of all reasonable and moderate persons here and abroad—and the governments would have been obliged to follow suit. Our progress on these lines would have been slow and intermittent; but it is useless to try and get the Russian Gov[ernment] to walk before it can crawl and promises of reform wrung from them, before they are themselves convinced of the absolute necessity for such reforms would have been and will be useless.

'Very likely the line I have been describing as the right one would have led to no positive results. But at least it avoided all avoidable risks, and it would not have stirred up all the mud in the pond as Genoa has done.

'The best that can be done now is to put the whole subject of Russia to sleep, if we can, for six months and then begin again *de novo*.'

Lord Curzon commented: 'There is a great deal in Mr. O'Malley's argument.'

## No. 109

### *Second Plenary Session of the Genoa Conference, held at the Palazzo San Giorgio, May 3, 1922, at 10 a.m.*

THE PRESIDENT, speaking in Italian: With reference to article 12 of the rules of procedure of the conference, I declare at the beginning of the meeting that, as no delegation has submitted any alterations to the minutes of the first plenary session,<sup>1</sup> they are considered as finally adopted.

Gentlemen, the conference decided on the occasion of its first plenary session to begin its labours at once, and to appoint its commissions without delay. As you know, three commissions, mainly of a technical character,

<sup>1</sup> See No. 67.

were formed to deal with the technical matters placed on the agenda adopted at Cannes. The second commission of the conference was entrusted with financial questions, economic questions were assigned to the third, while the fourth was to deal with transport.

Of these three commissions, two have already completed their labours and have laid their report before you: the Financial Commission and the Transport Commission. It is on these reports,<sup>2</sup> as well as on the draft resolutions which they contain, that the conference is called upon to deliberate to-day.

It is not my duty, gentlemen, to state again here the main lines of the conclusions at which these commissions have arrived. You all know them. The relevant documents are before you. I would merely like, in a few words, to explain the spirit which has inspired their labours, and the share in the general task of the conference which their work represents.

The agenda of the Financial Commission contained problems which keenly, even passionately, interest public opinion. The need of a great number of countries for credits, the exchange crisis and the fluctuations in currencies are the most obvious symptoms of the general crisis from which Europe is suffering. The urgent need of finding a remedy for this crisis was the primary motive for summoning this conference.

It seems to me that the Financial Commission, while considering *seriatim* the different questions before it, in so far as their solution depended on the solution of the great political problems which were outside its terms of reference, wisely contented itself with setting forth the measures which, if steadily applied, will allow of slow, but real, progress being made.

Availing itself of the resolutions adopted by the Brussels Financial Conference,<sup>3</sup> which in many points serve as basis for its own work, the commission considered consecutively the problems of currency, exchange and credits.

The Transport Commission had to consider a series of most important and urgent problems. Pending the re-establishment of transport facilities, at least as favourable as those which existed before the war, Europe cannot be expected to overcome the present crisis.

Material causes, and, if I may say so, causes of a political nature also, may prevent this re-establishment. It has, therefore, appeared essential to the Transport Commission to suggest methods for gradually restoring the means of transport in Europe, and at the same time to lay down principles of international control which, without infringing the sovereign rights of States, may avoid disagreements which might interfere with the good organisation of international transport.

I am not called upon to enter into details which can be better explained by the presidents of the commissions. So far as I am concerned, I do not hesitate to say, gentlemen, that at the present stage of our labours we can warmly congratulate ourselves on the fact that our task has been brought so

<sup>2</sup> The reports of the three commissions are published in Cmd. 1667 (1922), pp. 59-99. Summaries (prepared by Mr. Wigram) of the Financial and Transport Commissions are here printed as an Appendix to these minutes.

<sup>3</sup> See No. 2, n. 3.

speedily to a successful conclusion by two of our technical commissions. Within a few weeks they have succeeded on the problems referred to them in reaching an agreement, embodied in carefully drafted resolutions.

They have thereby shown that, in spite of difficulties of another kind, the men of good-will of all nations who are assembled here were ready to come to an understanding in all good faith. That spirit of agreement is a good omen for the rest of our work and for the solution of the political problems to which we are devoting all our efforts, with a view to the re-establishment of mutual confidence and of fruitful co-operation between our various countries.

The conference is therefore achieving the objects it had in view. An assembly which deals with the gravest international questions cannot accomplish its purpose unless all its members are resolutely determined to create an atmosphere of conciliation in which the interests of the several nations may be studied in a spirit of absolute equity and justice.

These conditions have been realised at the present conference; this is why the attention of the world is fixed on it with ever-growing hope and confidence. We must avail ourselves to the full of this confidence. Our assembly should teach a great lesson and set a bright example to all peoples. The rapidity and success of the work of reconstruction which all desire to see carried out will largely depend on the serenity and spirit of harmony which we display, and which will show that we are prepared to overcome the inevitable difficulties involved in the problems before us.

The work so far accomplished clearly shows that the conference in its deliberations has been guided by a common purpose and controlled by a self-imposed discipline.

We may therefore proceed with our labours with confidence and serenity. I now call upon the president of the Financial Commission.

SIR LAMING WORTHINGTON-EVANS (*British Empire*), speaking in English: Mr. President, I beg to move the adoption of the report of the Financial Commission appointed by this great conference at its first plenary session.

The report itself, on the first page of the document before you, recites the activities of the various sub-commissions and committees of experts set up to consider in detail the various important questions with which the Financial Commission has had to deal.

The resolutions come to by the commission, which this conference is asked to adopt, constitute a financial code not less important to the world to-day than was the civil code of Justinian. The institutes of Justinian have been the basis of the jurisprudence of not merely a large part of Europe, but of the world itself.

Here at Genoa there have been assembled experts in finance and economics, each known in his own country as the leading authority upon the subjects with which we are dealing, and their combined wisdom, after a full review of the conditions of Europe, and after a full discussion of what in the circumstances is possible, has resulted in agreement upon a series of resolutions which will be a guide, and I hope a code, to be followed and observed

in the same way as the laws due to the learning of Justinian. Italy laid the foundation of the civil law upon which Napoleon built. May we not also hope that in Italy again, upon the code laid down at Genoa, the financial and economic reconstruction of Europe may be founded and pursued?

No town could have been better chosen; no place could have been better selected in Genoa than the Palace of San Giorgio, where the first International Bank was founded, where the instruments of credit, bills of exchange and cheques were first invented, for the restatement in authoritative form of those principles upon which the credit of Europe can be restored, and the free interchange of the products of skill and labour can be made available regardless of national boundaries.

I venture to think that the Financial Commission has accomplished a great work. What was the problem before it? To find a remedy for the derangement of money and credit, to which the interruption of commerce, the depression of trade and the widespread unemployment from which the world is suffering are in great part due. It was necessary to recognise from the beginning that the malady was too deep-seated and had gained too great a hold for any immediate or simple cure to be possible. The resolutions which have been adopted do not pretend to provide such a cure. They do no more than point the way for a process of gradual recuperation. Nevertheless, they mark a stage.

It is instructive to compare them with the resolutions passed at the Financial Conference held at Brussels in 1920. At that conference much sound doctrine was enunciated, and was impressed on public opinion with all the authority of the assembled experts of Europe. Some of the resolutions we have passed echo those of Brussels, but even though a reiteration of sound principles may again have value, the world would have been disappointed, and rightly so, if Genoa had produced nothing but an echo. Genoa once again has sounded a note of its own. If you will allow me, I will endeavour to explain the main features of the resolutions proposed.

The evils we have set out to examine are the fluctuations in internal currencies, the consequent oscillations in external exchange and resulting obstacles to international credits. The three subjects—currency, exchange and credits—are so dependent the one upon the other that the proposed remedies are rightly contained in one report. Unless the currency of a country is reasonably stable, by which I mean, is freed from violent and frequent rises and falls, it is impossible to measure either the value of labour or its products, and it is consequently impossible to exchange those products for the products of other countries, however much they may require them, upon any business basis except subject to the strict limitations of a system of barter. Business between such countries ceases to be business and becomes a speculation, or even a gamble.

The report advises that gold should be adopted as the common standard, but it is recognised that this is not immediately possible, and the advice is given that the establishment of a gold standard should be declared to be the ultimate object, and that a programme should be agreed by which this



object should be achieved. The programme is set out in some detail in the resolutions. First, the obstacles are frankly dealt with, and then the means of economising gold and the machinery for an international convention, both for centralising the demand for gold and avoiding wide fluctuations in the purchasing power of gold, are described. Let me examine the obstacles.

The main obstacle in stabilising the value of a currency is an obvious one. So long as an indefinite increase in the amount of currency is possible there can be no stable value; it is therefore essential that the output of the printing-press should be limited and that the annual expenditure of every State should be balanced by taxation.

The true remedy is the reduction of State expenditure to the point at which it can be met out of taxation paid out of income. But this remedy may, for the moment, be unattainable, so the report recognises that as a temporary expedient external loans may be necessary.

The next obstacle dealt with is the great depreciation in some currencies. Stability, however, does not depend upon any particular parity to gold. Stability in some countries may be found at pre-war parity, and in others it may be wiser to fix a new parity more nearly approximating to the present exchange value of the monetary unit. National pride may hinder the adoption of a new parity, but the report rightly emphasises the undoubted fact that the essential requisite is the achievement by each country of stability in the value of its currency. It is a mistake to suppose a return to the gold standard is a solution of all our difficulties, or that it is only in countries where inflation is still going on, and where currency is in a state of collapse, that a serious monetary problem exists to be solved. In reality, countries with sound currencies have problems almost equally formidable to deal with.

Since the war, prices of commodities have displayed the wildest fluctuations, not only in European countries with paper currencies, but also in the United States, with its gold currency. There is general agreement among experts that one of the most prominent causes of depression of trade and of unemployment is the fall of prices which has occurred in the past two years. In the resolutions which have been passed under the head of currency, there is embodied the principle of preventing undue fluctuations in the purchasing power of gold, and therefore equally in the purchasing power of currencies based on gold. If this policy can be put successfully into operation, the price changes, which have caused so grave an unsettlement in trade both in America and in Western Europe, will become less frequent and less violent. The price changes to which I refer are changes in the general level of prices, changes which affect all commodities together.

In recent years we have learnt to distinguish such changes from casual changes in individual commodities. Regulation of prices in this sense means regulation of credit. The experience both of the Bank of England and of the Federal Reserve Board in the United States since the war has demonstrated afresh the sensitiveness of prices to credit conditions. Thus the power to influence prices, and the responsibility for using that power, belong to the great central banks. In currency policy they are the directing intelligence,

and therefore the first practical step to be taken will be the meeting of these central banks which is to be called by the Bank of England.

It may be hoped that the result of that meeting will be such co-ordination of credit policy throughout the world as will enable the great banks to make the general level of prices more stable. This policy pre-supposes the general return to the gold standard. Nevertheless, in the interval before that general return has been completed, the co-operation of central banks can undoubtedly do much to introduce stability and confidence into business. Moreover, the existence of a credit policy properly co-ordinated and directed to a concerted end will remove obstacles from the path of countries which are still using a paper standard, but are endeavouring to return to gold.

Thus a remedy will be provided for the distress from which both classes of countries are suffering. On the one hand, in those countries which are suffering from unemployment traders will be able to make their plans, confident that their markets will not be deranged by any sudden contraction or unhealthy expansion in the purchasing power of their customers. On the other hand, countries which take the painful first step towards regaining control of their currencies by balancing their budgets will be secure that their plans will not be upset unexpectedly through credit storms originating in the sound currency countries. This will facilitate the restoration of conditions in which commercial transactions can be effected, even in the distressed countries, under something approaching normal conditions. The policy embodied in the resolutions might be regarded as sufficiently defined by the resolutions themselves.

Nevertheless, the Finance Commission have indicated a further step which will help in carrying the policy out. They have suggested that there should be an international convention, and have remitted to the meeting of central banks the consideration and the technical elaboration of a scheme for such a convention. The scheme is based on the most modern and scientific method of economising the use of gold as currency. I should, perhaps, add that the principle of stabilising the purchasing power of gold is the necessary complement of this scheme, since otherwise economy in the use of gold might be carried to such an extent as to bring about a serious inflation of prices. An invitation has been extended to the United States to co-operate. Indeed, without American co-operation the proposals cannot be carried out. Europe, even with the assistance of Japan and other extra-European gold-using countries, cannot stabilise the purchasing power of gold, if that means counteracting fluctuations arising from so vast a gold-using area as the United States, which contains little less than half the gold currency of the world. But America herself has suffered severely from instability in the value of gold. Here is a field in which she can both give and receive invaluable assistance without involving herself in any political difficulties and without being called upon to make any sacrifice. The co-operation among central banks, which we look forward to, is not to be embodied in any rigid agreement. That would be as ill-suited to the methods and traditions of the several European central banks as to the Federal Reserve Board itself. What is contemplated

is a continuous exchange of ideas, which will enable each central bank to conduct its credit policy with adequate knowledge of the credit policy of its associates. All will thus be enabled to combine to follow the common aim of stabilisation.

The resolutions to which I have referred form a currency code. The essentials are the limitation of the issue of paper currency, the fixing of a parity with gold, the economising of the use of gold and the co-ordination of credit policy designed to prevent fluctuations in the commodity value of gold. This, then, is the code of Genoa.

I will turn now to the subject of the exchanges. It is generally recognised that stabilisation of the exchanges is a branch of the problem of currency. Given stability in the internal value of the currency, stability in the exchanges will easily follow. The resolutions dealing with exchange are accordingly limited to that part of the subject which does not overlap with the currency resolutions. The primary recommendation repeats and elaborates that made at the Brussels Conference against artificial control of exchange operations. But an interval of time must pass before the stabilisation of the exchanges by means of currency reform can be realised, and, with a view to mitigating the harmful effects of exchange fluctuations during that interval, the Exchange Sub-Commission have added a useful proposal for a technical improvement in the exchange market, which, by facilitating the purchase and sale of future exchange, will, it is hoped, limit in one direction the exchange risks which interfere so seriously with the free flow of trade. The remaining resolutions deal with credits. When currencies have been stabilised and exchanges are freed from wild fluctuations investible capital will flow freely from countries where there is a surplus lending capacity to countries which are in need of external assistance. Capital will, indeed, seek remuneration where it is needed as soon as conditions are restored under which it can safely operate. The resolutions lay down the conditions and point out the steps that are necessary to secure them.

The final resolution recommends that the Governments represented at this conference should support the establishment and facilitate the operations of the Central International Corporation and national corporations affiliated to it.<sup>4</sup> Much progress has already been made in the organisation of these corporations. Twelve of the Governments represented here have pledged themselves subject to the approval of their Parliaments to found national corporations and to secure the subscription of the required capital.

The total capital to be subscribed in the moneys of the different countries will be the equivalent of £20,000,000 sterling. The capital will be under the control of the Central International Corporation, which will be registered under the British Company Laws and managed by a board of directors nominated by the affiliated national companies. The main object of the Central International Corporation will be to render financial and technical facilities in the reconstruction of Europe. It will co-operate with existing and new institutions, without any attempt at creating a monopoly, in hastening

<sup>4</sup> See No. 34, minutes 10 and 11.

forward works of public utility and developing undertakings in countries whose conditions offer sufficient security for productive enterprise. It may be thought that the capital is insufficient, but it should be remembered that behind the national corporations stand the vast resources of all those countries from which specific undertakings approved and supported by the Central International Corporation can be financed.

I venture to think that the resolutions recommended to this conference are worthy of acceptance; they have been adopted by the Financial Commission after hearing the opinion and taking the advice of the best-known experts of world-wide experience and reputation. The resolutions contain practical proposals, the carrying out of some of which is immediately possible, although others will have to be postponed, but when sooner or later they are put into operation the impediments now obstructing financial and industrial intercourse between the peoples of the world will tend to disappear and the flow of capital and the interchange of the products of labour will once more be freely resumed.

THE PRESIDENT, speaking in Italian: A general debate is now open on the question dealt with by the report of the commission. I call on M. Picard to speak.

M. PICARD (*France*), speaking in French: I rise to speak here because I represented the French delegation on the Financial Commission, and because that delegation has given its adhesion to the recommendations now submitted to the conference for its approval. I feel it my duty to explain why we have thus given our adhesion, and have, at the same time, made certain observations which are noted in the minutes of the sub-commissions on currency, exchange and credits.

The recommendations laid before you are of two kinds; some are of lasting significance, and appeal to the great principles on which the financial system of any country should be based; others deal with temporary measures demanded by the present state of Europe and, one may add, of the world. There are some who have smiled at a reference to monetary and financial principles, saying that what was needed was not a course of moral instruction, but the discovery of practical remedies. Such persons fail to recognise that morality has a practical application. A man who wishes to strengthen or rebuild a house must first ascertain that its foundations are secure. The foundations of all monetary and financial construction are moral. To adjust normal expenditure to normal resources; to honour obligations incurred; to pay debts in a currency which is not depreciated at the very moment it is used because it is artificially created by all too rapid printing; and, to attain those results, to shrink from no effort, no sacrifice—it is well to recall such principles as these in this ancient and illustrious city of Genoa, whose prosperity was founded on trade, in other words, on the mutual honouring of agreements whether oral or in writing. It is well to recall them in this building, which, as Sir Laming Worthington-Evans has reminded us, housed one of the most famous banks in the world, which for 500 years maintained these great principles of financial morality.

Your commission has not confined itself to this theoretical statement, essential though that be. It did not wish to incur the reproach addressed by our fable writer, La Fontaine, to the schoolmaster, who, seeing a child drowning, solemnly read him a lesson on the causes and consequences of his folly, without first giving him a helping hand to bring him to the bank. Your commission has given a hand to those who asked for help, and the French delegation has given its support to the two groups of practical measures proposed by the commission. The first consists of an enquiry undertaken by the banks of issue into the most suitable means of introducing some stability into the disordered movements of the exchanges. The programme submitted with this object to the meeting of the banks is very comprehensive; it does not involve their adhesion in advance to the systems considered, although some of us thought that the report presented by the economic experts to the Sub-Commission on Currency appeared to lay too much emphasis on certain theories. We have not concealed this opinion, and we do not intend to withdraw anything we have said on the subject. This programme constitutes a scheme of practical enquiry which the experts of the banks of issue will have to elaborate, and in doing so it is the intention of your commission to leave them the completest independence. I have no doubt that these enquiries will lead to useful reforms, the beneficial effect of which will shortly be felt.

We have also given our adhesion to the project of an international corporation, while observing that the carrying out of this scheme would be conditional on the obtaining of authority in certain cases. We have learnt with satisfaction that a large number of States are desirous of assisting in this undertaking.

The French delegation wishes, in conclusion, to thank the presidents of the Financial Commission, Sir Robert Horne and Sir Laming Worthington-Evans, for the courtesy, authority and energy with which they have directed our labours. If the commission is not able to submit to you recommendations capable of putting an end in twenty-four hours to the existing monetary and financial difficulties, it is not for want of serious consideration or wise direction, but because there is in fact no magic wand which can exempt humanity from labour and effort.

THE PRESIDENT, speaking in Italian: I call upon Signor Schanzer, delegate of Italy, to speak.

SIGNOR SCHANZER (*Italy*), speaking in French: There can be no doubt that the resolutions submitted by the Financial Commission provide a complete and practical scheme for the reorganisation of European finance, which has been so seriously affected by the war. We are all aware of the troubles which at present affect the world, and we can all realise the dangers by which we shall be menaced if we do not succeed, without loss of time, in taking energetic measures to ensure a return to normal economic conditions. By their knowledge and experience the experts have shown us the way to achieve our object. They have pointed out the means which we must employ without hesitation and without delay to put an end to the present dangerous situation

and to avoid disasters even greater than those from which we have suffered in the past. But it is our task, gentlemen, as statesmen, to make the effort necessary to save ourselves; it is for us all to show that decision and force of purpose which are essential for the realisation of the principles which the technical experts and the Financial Commission have submitted for our approval. It cannot after all be denied that at the root of every financial problem there lies a moral, a political problem.

We are recommended to stabilise public expenditure in order to avoid the opening of new credits, we are advised to reduce expenditure. But is not the reduction of expenditure a moral problem? The reduction of expenditure means the abandonment of all the selfish and excessive claims and pretensions of the individuals, groups and classes which are all eager for improved conditions. In many countries the concessions which are thus rendered necessary result in increased expenditure, which cannot be compensated for by increased taxation beyond a certain limit. In all countries since the war, instead of a tendency towards thrift and careful living, there has unfortunately been a tendency towards luxury, pleasure and dissipation, especially amongst the social classes, which should give to other classes an example of moderation and of a clearer realisation of the vital needs of the State and of society. It is, however, the political aspect of the problem to which we must chiefly devote our attention. The balancing of our budgets, which is essential if we are to avoid inflation and depreciation of the currency, depends upon the general and political attitude of each country. It is only by a policy of peace, mutual goodwill and international co-operation, and by the strictest economy in public expenditure that we can hope to obtain that budgetary equilibrium which has been justly described as the essential basis of all financial reconstruction.

In this connection, gentlemen, I would like to call your attention to the policy which has been followed by Italy since the war, and to the efforts which have been made by the Italian people to overcome the great financial difficulties which have resulted from the war. It is hardly necessary to state that Italian policy has always been based upon a sincere desire for peace, and that Italy has regarded the problem of the financial and economic reconstruction of the country as the most urgent question which confronts her. Our taxation to-day is six times greater than it was before the war; direct taxation is nine times greater. Our budgetary deficit, which three years ago had reached a total of 24 milliards of lire, is now reduced to 3 milliards. We have reduced our army to [a] total of 200,000 men only. We have considered the reduction of our expenditure, not only as a duty towards ourselves, but also as a duty towards other nations, whose normal economic life and prosperity are intimately bound up with the economic and political stability of each member of the international society.

Italy, therefore, has proved, by her legislative and political work, and by the heavy sacrifices made by her taxpayers, that she has fully realised the duties of the hour. We have not been able to attain complete budgetary equilibrium, but we shall not shrink from the necessary sacrifice and reduc-

tion of expenditure, so long as our object is unattained. I have spoken only of the efforts made by Italy, but I am well aware that similar efforts have been made in other countries. Henceforward, our rivalry must consist not in unnecessary or dangerous expenditure, but in economy and prudence. That is the principle with which I would conclude my speech.

I think, gentlemen, that we should consider the valuable work which has been done by the Financial Commission as an introduction to the political work which we must accomplish. Ours is a great and noble task, and the eyes of the whole world are upon us. The world is looking to us to bring about the pacification of men's minds, to establish lasting guarantees of peace, and to re-establish international economic collaboration. Unless all our efforts are directed to the realisation of these lofty aims, the recommendations of the Financial Commission will have been made in vain.

I would conclude my speech on a note of sincere optimism. In these few weeks at Genoa, we have already held interesting and delicate discussions, we have already overcome considerable political difficulties. We have all made sacrifices to conform to each other's points of view, and we have worked in the true spirit of this conference, which is, and which must be, a spirit of peace, conciliation and international goodwill. I can therefore conclude, gentlemen, by expressing my entire and unshakeable confidence in the success of our work, which I am convinced will mark the commencement of a new era of European history, a period of sincere and whole-hearted collaboration for the well-being of peoples and for the progress of humanity.

THE PRESIDENT, speaking in Italian: I call upon M. van Karnebeek, delegate of the Netherlands, to speak.

M. VAN KARNEBEEK (*Netherlands*), speaking in French: May I be permitted, Mr. President, to add a few words to the vote which the Netherlands delegation intends to give to the resolutions which the Second Commission has submitted to our attention. When the Netherlands Government learned the programme of the Genoa Conference, the proposals relating to financial questions did not fail to rouse its keenest interest. In the course of the last years, international monetary problems have, in the Netherlands, formed the subject of thorough study on the part of competent men, and I may be allowed to recall to you the well-known memorandum drawn up in 1920 at Amsterdam<sup>5</sup> to which men of prominent position in the domain of the financial theory and practice of various countries lent their collaboration and the prestige of their names. We have now before us the results of the work of the Second Commission, and the Netherlands delegation wishes to adhere entirely and unreservedly to the conclusions of that commission. On various points of capital importance an understanding has been reached in spite of

<sup>5</sup> A reference to the Memorial on International Finance and Currency submitted to the Governments of Denmark, France, Holland, Norway, Sweden, Switzerland and the United Kingdom on January 15, 1920, and laid before the International Financial Conference at Brussels in September, 1920 (see No. 2, n. 3). A similar (though not identical) Memorial was submitted by the United States representatives to the United States Government and laid before the Brussels Conference.

the difficulties and complexity of the problems. As an essential condition, among others, to the economic reconstruction of Europe, it has been set forth that each State should succeed in balancing its budget. A detailed programme has been elaborated, which points out to each country the way to re-establish the effective gold standard. With reference to the delicate problem of devaluation of monetary units, a happy formula has been found which takes into account divergent conditions in the various countries. Co-operation of wide importance between central banks of issue may be looked forward to in the near future as the first tangible result of the conference.

The participation in the Genoa Conference of so large a number of States, represented by their most prominent specialists, lends a commanding moral prestige to the conclusions of the conference. The work of Brussels has been surpassed, and the Netherlands delegation hopes that these results will mark the beginning of the restoration of Europe, the economic equilibrium of which has been so profoundly shaken. As the Commission of Experts stated in its report, there can be no hope of final success in restoring the currencies or the economic welfare of Europe until the subjects to which the memorandum of 1920 refers, and in particular the problem of inter-Governmental indebtedness, have been resolutely tackled. In fact, the problem of international debts dominates the economic situation of Europe. So long as this problem has not been solved by the parties directly concerned—and among these is the Great American Republic—the most salutary and incontestable financial principles remain mere economic morality, whatever may be the strength with which such principles are set forth, or whatever the sincerity of the endeavours of the nations to secure their application.

We have come to Genoa accompanied by the wishes and hopes of many peoples. Under the menace of the growing economic crisis the peoples follow our deliberations with the hope of seeing the rise of new and better realities. The Netherlands delegation expresses the wish that the Genoa Conference, whose Second Commission could do no more than it accomplished, will be followed in the near future by the realisation of the new circumstances and solutions indispensable for the definite re-establishment of a state of economic stabilisation and repose, enabling Europe to recover confidence, and to draw, in a spirit of concord, the full benefit of the important work achieved in this hospitable city.

THE PRESIDENT, speaking in Italian: I call upon M. Schulthess, delegate of Switzerland, to speak.

M. SCHULTHESS (*Switzerland*), speaking in French: The Swiss delegation declares its complete adhesion to the resolutions voted by the Financial Commission, and also supports the declarations made by the Netherlands delegation. The Swiss delegation is, in particular, of opinion that the proposed meeting of central banks and the permanent co-operation between these banks will be such as to exercise a beneficial effect in the future on the exchange market, and to facilitate to some extent credit operations. The Swiss delegation views with satisfaction the formation in the immediate



future of an international financial corporation, and of national associations whose activity, if it is well directed, should have beneficial effects on the economic reconstruction of Europe. We fully recognise the technical value and the importance of the conclusions which the Financial Commission has come to regarding currency reform, and the conditions which it is desirable to lay down for the granting of credits. But we must take note of the fact that the majority of these resolutions are not immediately applicable, and that, in order to restore the confidence so necessary to all commercial, financial and industrial operations between States, it is necessary first to solve various problems of a political, social and moral character.

On the other hand, and without in any way wishing to anticipate the results which may be arrived at by the Economic Commission, the Swiss delegation takes the liberty of emphasising the fact that economic and financial questions are not separated at the present time into water-tight compartments, but that such questions, and particularly those relating to currency and exchange, affect to the greatest possible extent the whole economic situation. Thus the principal factors in pre-war commercial policy, customs duties on imports and on exports, and import facilities or restrictions, no longer possess the same relative importance, if we compare them with the importance of currency depreciation in various countries, and the rapid and sudden fluctuation of the exchanges. States whose currency is continually depreciated are thus enabled to compete ruinously with other nations, and such countries are practically closed to the importation of manufactured articles. This fact constitutes one of the principal causes of the dangerous crisis from which Europe is suffering, and which is manifested chiefly by unemployment in countries with a healthy or relatively healthy currency, and by the excessive reduction in purchasing and consuming power in those countries whose currency has depreciated to a considerable extent. The resolutions of the Financial Commission, however judicious and wise they may be, are not of a nature, alas, to bring about an immediate solution of such problems, or even a solution in the very near future. Nevertheless, the Genoa Conference has raised the greatest hopes throughout the world; and the situation at the present time is grave, and threatens to become worse, even beyond remedy, if some means are not found for regulating the present currency situation.

One of the principal causes of currency depreciation and of the fall in the exchanges certainly arises from the fact of international indebtedness, and, as the expert's report most wisely points out, there is no hope of re-establishing European currencies and the economic welfare of Europe as a whole, before the problem of international indebtedness has been resolutely tackled. The solution or solutions of this problem are not within the competence of the Genoa Conference, and the work which has been performed by it can only be considered as preparatory; but we take the liberty, in conformity with the initiative of the Netherlands delegation, of expressing the hope that those who are entrusted with directing the destinies of the nations will not hesitate to take this problem into consideration, and to solve it by means of a common agreement before it becomes too late; for the economic restoration of this

Continent depends in a large measure upon the solutions which may be found for this problem.

THE PRESIDENT, speaking in Italian: I call upon M. Chicherin, delegate of Russia, to speak.

M. CHICHERIN (*Russia*), speaking in French: The adoption of the resolutions which have been submitted to-day by the Second and Fourth Commissions is the first general international act in which Russia has taken part during the last four years. This event marks an important stage, but it involves the necessity of making certain explanations and certain reservations arising out of the special international position which Russia has occupied during the past few years, and which she still, in a large measure, continues to occupy. The Russian delegation has done its utmost to participate in the work of the various commissions, but it has felt from the first that the situation has to some extent limited the possibility of its achieving results, that it was prevented from participating to the fullest extent in the new ideas due to historic evolution, or from contributing its proper share to the general content of such ideas. For one thing, the work of many past international conferences and commissions, which have been studying these subjects during the last few years, was not available for the Russian Government. You must remember that we have not even semi-official representatives in a great number of States, and it has been difficult, if not impossible, to obtain information about a great deal of work which has recently been accomplished. Nevertheless, much has been accomplished in the commissions. At the same time, I wish to emphasise the reservations which have been made by the Russian delegation, and which are recorded in the minutes of the commissions; I wish to declare that these reservations are maintained. The Russian Government reserves its complete and full liberty of action with regard to these resolutions, which pre-suppose co-operation in financial matters with the League of Nations or its organisations, since the League of Nations is a body which has not been recognised by Russia. The Russian delegation also desires to emphasise the fact that, owing to the peculiar situation of Russia from the point of view of foreign trade, it is not possible for her Government to renounce control over exchange operations, in spite of the fact that such control is declared in the report to be futile and mischievous. Though agreeing that the reconstruction of Europe is only possible by means of financial assistance to be accorded by the stronger States to the weaker States, we consider that this assistance should not only be accorded by means of private credits, but also by loans between Government and Government. The passage in paragraph 19 of the report gives authority for this to be done in the case which applies to Russia.

As regards paragraph 19, the Russian delegation desires to insist that, if international corporations are formed, as is proposed, they must keep entirely and absolutely within the limits which are laid down for them; that is to say, that they must not be of such a nature as to create any form of monopoly. We pay all homage to the observation of the Italian delegation that it is only by a policy of peace that the nations will be enabled to balance their budgets.

We agree in particular that the reconstruction of the world depends upon a policy of general disarmament, and that in this matter the general interests of the whole world must be given precedence over private interests or group interests. The Russian delegation will advise its Government to carry out, within the limits of its powers, the decisions which have been adopted by these commissions; but I must repeat that Russia is placed in a somewhat difficult position, because some of the decisions of these commissions have been confided to organisations of the League of Nations, which, as I have said, Russia has not recognised. With this reserve, the Russian delegation adheres to the proposals of the Second and Fourth Commissions.

In conclusion, I desire to express my conviction that it is only by economic collaboration between two worlds whose policy is based on differing economic systems that we can trace the path towards reconstruction and peace.

THE PRESIDENT, speaking in Italian: I call upon Dr. Rathenau, delegate of Germany, to speak.

DR. RATHENAU (*Germany*), speaking in French: Gentlemen, the world will find with satisfaction that the commission whose conclusions have just been read has done excellent scientific work. They have found formulæ for the solution of serious financial and economic questions which surpass anything one could have imagined. The Financial Commission has very rightly alluded to ideas of a similar nature which certain Governments proposed so long ago as January 1920. One sees, therefore, that these ideas have been propagated for the last two years, but unfortunately they have never been put into practice. Since 1920, the world market has deteriorated in a most deplorable way. World trade, which in 1920 was still nearly the same and of the same importance as before the war, has decreased continuously during 1921; it has decreased by at least one-third, if not even by one-half, as compared with its pre-war volume. This decrease of international sales reveals a constant reduction in purchasing power, a reduction which, in many parts of the world, has caused unemployment of extreme duration and extent. The Sub-Commission on Labour Questions has stated that there are at present in the world nearly 10,000,000 unemployed. If you include the families of the unemployed, the total represents a whole civilised people, whose members are animated by an anxious desire to work, but who are unable to do so. The reasons for this deplorable situation have been clearly shown by the best experts in the world, who have met here at Genoa. The chief reason is the enormous burden arising from the obligations imposed by the war. The fact that these charges have to be met has given rise to economic difficulties, which certain post-war political measures have made still worse. The experts say that if a country is obliged to fulfil certain obligations with regard to other countries, those obligations ought to be settled, or there ought to be a possibility of settling them, through the sale of goods and commodities. To effect such sales, it is necessary to have markets with sufficiently developed purchasing power. The purchasing power of world markets to-day is not sufficiently great to enable the debts of the whole world to be satisfied in such a way. We have drawn up figures, based, of course, on estimates, but still

correct within certain limits, which show that the total amount of world export ought to be doubled in order to allow for the payment of interest on war debts contracted by the principal States, and in order to make some provision for amortisation. The world market to-day, far from having been doubled, is at present reduced to two-thirds of its importance as compared with pre-war conditions, if it has not already fallen to one-half. The financial and economic consequences resulting from this are deplorable. The enormous burden under which European nations are groaning must lead, on the one hand, to a disturbance of the markets in creditor countries, and, on the other hand, to the constant depreciation of currency in debtor countries. Added to that, there is a continual reduction in purchasing power throughout the world. We are moving in a vicious circle. Debtor countries are obliged to procure foreign money through exporting their commodities, and find themselves in bitter competition with their creditors on the same markets. The debtor countries are still more bound to sell than the creditors, and cannot sell enough. That is the reason why their currency is going down; the fact that it does go down brings about a temporary fall in the price of their goods and commodities, but such forced sales do not produce for the countries concerned either sufficient means to live or a purchasing power which will be of benefit to them. The debtor countries must hand over a large part of the foreign paper they secure by sales of their goods to the creditor countries. In spite of arduous work, the value of their currency goes down, and they have not enough left to provide for their own needs. Their purchasing power diminishes, and the world market is reduced to the same extent. The creditor countries, in order to protect their own industry, set up, as against importation from debtor countries, barriers of prohibitions and taxes on imports. The debtors, obliged to procure means of payment, whatever happens, are obliged to reduce again the value of their goods, and hence a new fall takes place in the value of the currency of debtor countries, and a new cause arises of unemployment in creditor countries—new measures of commercial competition and struggle.

Thus, through a vicious circle, the burden of international indebtedness converts every measure of defence into an aggravation of the circumstances against which it was designed. This will not cease unless men no longer act like those who, pent up in a narrow room, rush at each other's throats, instead of coming to a common agreement which will allow them all to escape. The theory is clearly recognised, and has already been stated in part for some time, but what has been lacking so far is its practical application. Our experts tell us that the crisis may be overcome by a combination of financial and economic measures. The restoration of the exchanges is the primary condition; the restoration of trade markets will automatically follow. In any event, it will be necessary to come to the assistance of the weaker nations. The stability of their exchanges is the indispensable preliminary to the restoration of their purchasing power and to the restoration of the world market, the indispensable preliminary to a new economic and technical progress, and eventually to the maintenance of civilisation itself,

It will therefore be necessary to combine closely financial and economic measures, and, what is most important, it will be necessary to utilise them and to put them into practice as soon as possible. The world does not expect merely theses and theories from the Genoa Conference. We still hope that the representatives of the great nations will, as regards economic and social needs of the greatest urgency, firmly resolve upon energetic, efficacious and immediate co-operation.

THE PRESIDENT, speaking in Italian: The general debate is now closed, and the meeting will pass to the discussion of the several articles of the proposals submitted by the Financial Commission. I will now read out the numbers of these articles. As you all have the text, I do not consider it necessary to read the text, but will give the numbers of the articles. If no one wishes to speak on an article, it is understood that the article in question is approved. If any delegate wishes to speak on an article, then he must ask permission to speak when the number of the article on which he wishes to speak is read out. The subject is the resolutions of the Financial Commission. If no observations are made, the article is approved.

(Resolutions 1 to 7 were adopted.)

THE PRESIDENT, speaking in Italian: I will call upon Signor Bertone, delegate for Italy, to speak.

SIGNOR BERTONE (*Italy*), speaking in Italian: The resolutions of the Financial Commission contain one central point to which all other questions are subordinated. It figures among the questions submitted for examination by the conference in virtue of the Cannes resolutions.<sup>6</sup> It deals with the report on public finance. Regarding the question of the reform of public finance in the different States, the Italian delegation had the honour of submitting some proposals in a draft which it presented to the conference.<sup>7</sup> The substance of these proposals is reproduced in the resolutions adopted by the Sub-Commissions on Currency and Credits. The re-establishment of public finance is the indispensable preliminary to currency reform in the different States. This is the goal towards which the efforts of the Governments concerned should be directed. But financial reform does not merely imply an increase of revenue; it means above all a reduction of budgetary burdens, if the sources of revenue in various States are not to be dried up by the imposition of excessive pressure of taxation. This point of view is embodied in the seventh resolution of the Financial Commission. Therefore, if the recommendations of the commission are to be accepted by the Governments concerned, it is essential that all States should immediately undertake the task of enforcing the most vigilant economy. It is true that measures of this sort concern the internal policy of the various States, and that each of these is free to exercise its action in this sphere as it thinks fit. Nevertheless, in drafting its resolutions, the Financial Commission decided to indicate the procedure which seemed most

<sup>6</sup> See No. 6, Appendix.

<sup>7</sup> This draft 'Proposals of the Italian Delegation to the Credit[s] Sub-Commission' (B.E.D. 268, not printed) was submitted to the first meeting of the Credits Sub-Commission (F.L.C.1, not printed) on April 24, 1922.

appropriate for achieving these results. It also expressed the hope, in resolution 17, that those countries which need credits, to assist them out of the unfavourable situation in which they now find themselves, should furnish proof that they have made the requisite efforts to reform their public finances. The commission's recommendation in this connection was necessary if the resolutions dealing with financial reform in the various States were not to appear merely an academic repetition of principles known to all and of formulæ already adopted, but should really possess a greater value than this, by showing the firm intention of the conference to urge the nations who are most affected by the present economic crisis to devote themselves resolutely to the work of financial reform, because an effort in this direction will be required of them as a necessary condition of securing financial assistance from other States. In this connection, the commission recognises that a knowledge of the financial conditions prevailing in various States is a necessary factor in the creation and maintenance of mutual confidence. An existing organisation—the League of Nations—has been entrusted with the task of undertaking the co-ordination and publication of information concerning the budgetary situation in the various States. This information will be published periodically, when transmitted to the League by the States concerned. In order that this recommendation may have a more general and a wider scope, it is desired that the publications in question should deal not only with States members of the League, but with all States.

The relevant resolutions of the commission are substantially the same as those submitted by the Italian delegation in the memorandum which it has drawn up in respect of public finance; and, as is the case with all the other resolutions of the Financial Commission, they have the full support of Italy. May the action consequent upon these resolutions contribute to the restoration of international relations in the widest and the most complete sense, to the fresh development of economic life throughout the world, and to the welfare of all nations.

(Articles 8 to 13 were adopted.)

THE PRESIDENT, speaking in Italian: I call upon M. Gomes, delegate for Portugal, to speak.

M. GOMES (*Portugal*), speaking in French: As the flight of capital is one of the chief causes of the speculation which at present prevails, and of the rapid fall of the exchange in all countries, it seems to me that it would be advisable to invite the United States of America to co-operate in the measures which are suggested for dealing with this situation. Since the United States is not a member of the League of Nations, action by the League of Nations, without reference to the United States, might be inoperative.

(Articles 14 to 19 were adopted.)

THE PRESIDENT, speaking in Italian: All the resolutions proposed by the Financial Commission are approved. The assembly will now pass to the general discussion of the report of the Transport Commission, and I call upon the reporter for that commission.

M. JASPAR (*Belgium*), speaking in French: Gentlemen, the text of the

report which the Transport Commission has the honour to submit for your approval is before you. You will see that this report is in two parts:—

- (a) The text of the draft resolutions, in eight articles.
- (b) The text of the reservations formulated by various delegations.

As the president of the commission, M. Theunis, who has been temporarily recalled to Brussels by pressing duties, has already said in his inaugural speech, the Transport Commission based its work on the study of articles 58 to 61 of the London experts' report.<sup>8</sup> The substance of these four articles is to be found in the draft resolutions which are before you. These show that almost all the Powers represented at Genoa have agreed to recognise in this way the foresight of the London experts, and the equitable spirit shown by them in elaborating their report. The Transport Commission studied at Genoa the restoration and amelioration of international traffic by rail and water. This was a heavy task; but it was greatly facilitated, thanks to the useful work accomplished by the League of Nations in 1921 at Barcelona,<sup>9</sup> and thanks also to the excellent work done at Porto Rose<sup>10</sup> in November 1921. I must acknowledge also the work of the experts who were present at Barcelona and Porto Rose, and were so kind as to lend their knowledge for the purposes of the work which Genoa has accomplished largely owing to them.

These two conferences have practically made a thorough inventory of the difficulties in transport matters which have, since the end of the war, been the sad lot of a great number of the Powers. These two conferences have formulated, edited, and approved conventions and resolutions, all recommendations tending to minimise these difficulties, whilst solving in the general interest numerous technical problems. At its opening session, the Genoa Conference created the Transport Commission. This commission could not do better than submit these judicious texts to a new examination, and ask the Powers represented at Genoa to what extent they were satisfied, or what were the amendments which they desired to introduce into these texts. The suggestion which the president made for the direction of our labours in this manner was generally approved. We set to work then on these lines. To-day, Gentlemen, we lay before you a draft resolution generally adopted by the Transport Commission, which will, we hope, meet with your approval. You will, I am sure, listen attentively to the text of the reservations which certain Powers have formulated in respect of certain articles of this draft resolution. Indeed, these reservations clarify the situation. They also have the great merit of freedom of speech. Taken together, they constitute a focusing—which is as necessary as it is useful—of all that has been done, and also of what remains to be done in the important domain of international transport. As to what remains to be done, there is no doubt that the remaining work will be accomplished in that wide spirit of solidarity which has been manifested in the course of our debates. France will be good enough to convene the technical conference foreshadowed in article 6 of our resolutions, which is destined to bring these articles to fruition. I have no doubt that this

<sup>8</sup> See No. 56, Appendix.

<sup>9</sup> See No. 34, n. 23.

<sup>10</sup> See No. 31, n. 11.

conference will be inspired with the same principles and with the same spirit as the principles and spirit with which Genoa has been inspired, and I wish that conference every success. It will be helped by the League of Nations, which will aid us in finishing the work upon which we have started here.

We thank the League sincerely for the help which it is about to give us. I must also thank the Financial Commission for the support which some of its most distinguished members have given to the Transport Section, in order to clear up the difficult question of the exchanges, which is such a disturbing influence on the fixation of net prices in one of their essential elements, that is to say, the price of transport, and which is thus a hindrance to export trade, which is one of the most important factors in the development of questions such as the economic peace of the world.

Before concluding, I cannot refrain from thanking, in the name of the Belgian Government, the Genoa Conference for the great honour which it has done to my country in asking the head of its delegation to preside over one of the most important commissions of the conference.

THE PRESIDENT, speaking in Italian: A general debate on the motions of the Transport Commission is now opened. I call upon M. Barrère, delegate of France, to speak.

M. BARRÈRE (*France*), speaking in French: Gentlemen, I beg to support the conclusions and the report submitted by M. Jaspar. I only wish to add that the French delegation fully adheres to the text of the report without any reservation, except that which is indicated in the report itself.

THE PRESIDENT, speaking in Italian: As there are no other speakers down for the general debate, the debate is now closed, and the meeting will proceed to pass the several articles contained in the proposals of the Transport Commission. Perhaps it would be advisable, in the case of the Transport Commission's report, to pursue a different method from that which was followed in the case of the report of the Finance Commission. As the articles in the report of the Transport Commission are closely connected, perhaps it is best that we should consider them all together. Therefore, if any speaker wishes to make any remarks on any special point in those articles, he should ask leave to address the meeting. If no one asks to speak on any special point contained in the articles, then the whole of the articles will be considered as approved. I now call upon Sir Philip Lloyd-Greame, delegate of the British Empire, to speak.

SIR PHILIP LLOYD-GREAME (*British Empire*), speaking in English: I think the conference will agree that the Transport Commission has discharged its work in a comprehensive and practical manner. The fact that the whole field has been covered in so short a time was only possible because the delegates and their associates recognised alike the importance of the problem and the interdependence of their transport systems; and because they all brought to their task a determination to co-operate in a common endeavour. Anyone who studies these recommendations will see that they are of a thoroughly practical character. Facilities for free transit by sea and land; reciprocal use and exchange of rolling-stock; the re-establishment of direct international



trains for passengers and goods; the operation of inclusive tariffs; the use of a single waybill for through transport; the prevention of customs delays, in so far as they depend upon these arrangements; the provision of common frontier stations; all these are questions of an essentially practical character, all of them questions which might cause interminable delay if approached in a narrow spirit, but susceptible of common agreement and common treatment, once they are tackled, as they have been here, in a spirit of mutual co-operation. Not only has the commission approached them in that spirit, but it has made sure that the resolutions which it has passed will be carried into effect, firstly, by the meeting of the general managers in Paris, and secondly, by the task which has been allotted to the League of Nations of watching the progress which is made. I think this is a genuine attempt, commensurate with the importance of the project. If the principles which have been recommended by the commission are carried out (as I am convinced they will be, in view of the virtual unanimity with which they have been accepted) we shall be well on the way to restore the transport systems of Europe; we shall have taken a great step towards providing the essential complement of the work which the Economic Commission is doing in another sphere, and the practice of these precepts will afford the surest guarantee for the credit and finance which the Finance Commission has foreshadowed in its report.

THE PRESIDENT, speaking in Italian: I call upon Signor Peano, delegate of Italy, to speak.

SIGNOR PEANO (*Italy*), speaking in French: With regard to article 2, the Italian Government wishes to state that it is taking immediate steps to ratify the Barcelona Convention.

THE PRESIDENT, speaking in Italian: As there are no other speakers, the whole of the articles contained in the report of the Transport Commission are considered as adopted. As the items on the agenda are now exhausted, the sitting will adjourn. But before doing so, I wish to express my warm thanks to the commissions which have worked so excellently in accomplishing their task, and to their presidents who have presented the reports in so admirable a way. In my opinion, the work accomplished by these commissions offers the best proof that the work of this conference will be productive of good results, and I feel sure that I am expressing the opinion of you all in tendering the best thanks of the meeting to the commissions and to their presidents.

*(The meeting terminated at 12.30 p.m.)*

#### APPENDIX I TO No. 109

##### *The Financial, Economic and Transport resolutions of the Genoa Conference.*

The following is an attempt to summarise in the briefest possible manner the main outlines of the Financial, Economic and Transport resolutions of the Genoa Conference.

### *The Financial Resolutions*

1. The re-establishment in Europe of a stable currency system is an essential condition of the restoration of trade. In this system the different national currencies will bear a fixed relation to some common standard of measurement, such as gold. The stages in the re-establishment of such a system are defined as follows:

- (a) Those countries, who are still meeting part of their current expenditure by means of the printing press, must cease to do so, and, primarily by decreasing their expenditure, must make their budgets balance.
- (b) Those countries in common with (or perhaps preceded by) the countries, which had already reached this first stage on the path of financial readjustment, must decide the future value of their monetary unit in relation to gold. Some countries, whose progress on the path of inflation is not irretraceable, will decide to re-establish the value of their monetary unit on the old pre-war basis. To carry this decision into effect, some further deflation (with its resultant disturbance to trade) may be necessary; other countries, who have used the printing press to excess, will decide to write down the pre-war value of their monetary unit to a new gold parity. The first country to take this latter courageous course will be a public benefactor to Europe.
- (c) The next stage will be the maintenance of the value of the monetary unit of each country at whatever gold parity is chosen. This will be accomplished:—
  - (i) By close collaboration between the central banks of the different countries, and
  - (ii) By the eventual adoption of an international monetary convention, the prime purpose of which will be the centralisation and co-ordination of the demand for gold; and the condition of membership of which will be the maintenance of the national currency at the prescribed standard.

2. The abolition at the earliest possible date of artificial control of exchange operations.

3. The organisation of a market in 'forward' exchange: i.e. the provision of facilities for the advance purchase of foreign exchange required against a bill maturing at a future date, thus minimising for the merchant the risk of exchange fluctuations.

4. The summoning by the Bank of England of a meeting of Central Banks to consider the above proposals and to make recommendations respecting the proposed international monetary convention.

(N.B. It was made clear, in the course of the discussions of the Financial Commission, that without the elimination of certain other features of the existing economic and financial position of Europe, practical results could not be expected to be immediately attainable even from the complete adoption of the foregoing resolutions. The problems of 'the re-establishment of a willingness to work and to save, of incentives to the highest individual effort and of opportunities for everyone to enjoy a reasonable share of the fruit of his labours' had also to be tackled, as well as, in particular, the problem of Inter-Allied indebtedness, if there was to be any real hope of final success in restoring the currencies or the economic welfare of Europe. 'If the burden of any country's external obligations is beyond its capacity to pay, so drastic a lowering of the standard of living' will be brought about in that country, that there will be danger that 'willingness to pay a just debt will be converted into a spirit of despair and revolt'.)

### *The Transport Resolutions*

1. General acceptance by the States represented at Genoa, in continuance of their efforts to improve their land and water communications (if necessary with foreign assistance), of :—

- (a) The Barcelona Conventions (April 1921) respecting (1) Freedom for transit goods from customs duties and (2) Freedom of navigation on international waterways. (N.B. All the States represented at Genoa have signed these Conventions (though only Albania has yet ratified) except Germany and Hungary, both of whom must adhere under the Treaties, and Russia who has reserved her decision).
- (b) The Barcelona recommendation respecting facilitation of international goods and passenger traffic.
- (c) The Porto Rose Convention (November, 1921) respecting the removal of obstacles to international railway traffic in Central Europe and especially in the Succession States.

(N.B. The Porto Rose signatories (Italy, Austria, [Serb-Croat-Slovene] State, Hungary, Roumania, Czecho-Slovakia, Poland) state that the Convention is being put into force but they have not ratified as they expect the conclusion of a general European Railways Convention on the same lines.)

2. Early preparation and operation of the ports, railways and waterways (Rhine, Danube, Elbe and Oder) conventions contemplated in the Treaties and of a Railways Administration Convention to replace the Convention of Berne (1890).

(N.B. Pending conclusion of this new Railways Administration Convention, Convention of Berne to operate in territories of signatory States, namely, Germany, old Austria-Hungary, Belgium, Denmark, France, Italy, Luxembourg, Netherlands, Roumania, Russia, Sweden, Switzerland.)

3. Early summoning by the French Railway Administration of a technical Conference of European Railway Administrations to meet at Paris to consider—

- (a) Technical details of restoration of European railway traffic;
- (b) Possibility of creation of a permanent Railway Administrations Conference, and
- (c) Special question of impediments to international transport occasioned by exchange fluctuations.

4. Technical organisations of League with ad hoc representation for non-members of League to examine periodically progress made in execution of foregoing measures.

(N.B. This clause was subject to German and Russian reservations.)

*May 2, 1922*

s.G. 24] *Note of a Conversation held at the Villa d'Albertis, Genoa, on Thursday, May 4, 1922, at 10.45 a.m.*

PRESENT: *British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P., Lord Birkenhead, Sir Maurice Hankey, G.C.B., Sir Edward Grigg, K.C.V.O., C.M.G.

*Italy*: Signor Schanzer, The Marquis Visconti Venosta.

*Italy and Turkey.*

SIGNOR SCHANZER began by referring to the good relations which had existed at Genoa between the British and Italian delegations, which had been a source of great satisfaction to him. In these circumstances he had been a good deal upset by what he described as a 'violent' note which he had received from Lord Curzon in regard to the Italian relations with Turkey.<sup>1</sup> Moreover, there had been attacks in the English press on the Italian Government on this subject. He learned from the Ambassador that a question had been asked in the House of Commons,<sup>2</sup> and that an answer was to be made that a protest had been made to Italy as to her action in Turkey. He recalled the position of the Italian Government towards Turkey. First, there had been the agreement of San Jean de Maurienne,<sup>3</sup> which had subsequently been withdrawn. Nothing was now left to Italy except the tripartite agreement,<sup>4</sup> which was really one of disinterestedness except in certain zones. The tripartite agreement left it to each nation to make its own arrangements. When he saw Lord Curzon at Paris he had informed him that he had been holding conversations with the Turks with a view to obtaining some economic concessions, and Lord Curzon had replied that he had no objection.<sup>5</sup> Later on, Lord Curzon asked him what was the result? He had replied that Italy had obtained nothing definite, but he had informed him of the conversations he had had with the Turkish Government.

THE PRIME MINISTER asked what was the nature of these conversations.

SIGNOR SCHANZER said that the conversations concerned the possibility of Italian capitalists obtaining some concessions. Arrangements had been made with the Constantinople Government, and they had had no relations with Angora. All that the Turkish Government had given was an undertaking to consider the possibility of concessions if Italy could give some financial help.

THE PRIME MINISTER asked if the concessions were in the Italian zone.

SIGNOR SCHANZER replied in the affirmative. He had informed Lord Curzon of the various stages. He then gave a summary of Lord Curzon's note to the Italian Ambassador. He said that the Italian Government had taken no engagement whatsoever towards the Turks. He had ordered the

<sup>1</sup> See Vol. XVII, No. 611.

<sup>2</sup> On May 3, 1922 (see 153 *H.C. Deb.*, 55, cols., 1344-5).

<sup>3</sup> Of 1917 (see Vol. IV, Introductory Note to Chap. III).

<sup>4</sup> Of August 10, 1920 (see *B.F.S.P.*, vol. 113, pp. 797-803).

<sup>5</sup> See Vol. XVII, No. 610, n. 3.

Italian Ambassador to show the agreement to the British Ambassador (presumably in Constantinople). He regretted the receipt of this note, because public opinion in Italy was peculiarly sensitive to Mediterranean questions, owing to the fact that Italy, as the result of the war, had obtained absolutely nothing in the Mediterranean. If they had tried to obtain concessions without giving any engagement whatever, he did not see why they should receive this strong protest, especially at a time when the Italian delegation were working so very intimately with the British delegation at Genoa.

THE PRIME MINISTER asked what newspapers had attacked the Italian Government.

SIGNOR SCHANZER replied, the 'Pall Mall Gazette' and the 'Daily Mail,' and later on he mentioned the 'Times'.

THE PRIME MINISTER said that the 'Pall Mall Gazette' did not carry any great weight. The 'Daily Mail'—and later on he made the same observation in regard to the 'Times'—was, of course, opposed to the Government, and would attack them over anything.

SIGNOR SCHANZER then read extracts from a telegram from the Italian Ambassador in London, confirming what he had stated above. On the conclusion of reading this, he said he thought the attacks on Italy in Great Britain were probably inspired from Greek sources.

THE PRIME MINISTER said that Lord Curzon was ill at the present time and was not attending at the Foreign Office.<sup>6</sup> Sir Eyre Crowe was also ill, so the responsible heads were not actually at the Foreign Office. He asked Signor Schanzer to give him a memorandum of the facts, and he undertook to communicate not with Lord Curzon, who he understood was still away from the Foreign Office, but with Mr. Chamberlain,<sup>7</sup> who would be in touch with the Foreign Office.

SIGNOR SCHANZER asked if a telegram might also be sent asking the Foreign Office to exercise moderation, particularly in any parliamentary communication.

THE PRIME MINISTER said he would send a telegram to Mr. Chamberlain asking him not to take any action which would give the impression of disagreement between Italy and Great Britain. He would say that he was quite convinced that there was no secret agreement between Italy and the Angora Government.

SIGNOR SCHANZER said he was certain that Mr. Lloyd George knew that Italy was acting entirely with Great Britain.

THE PRIME MINISTER said that he had always held that British and Italian interests were identical. He had always thought himself that Italy alone could develop the part of Asia Minor which fell within her zone. He thought perhaps he went further than the Foreign Office in the matter.

SIGNOR SCHANZER said that Italy had really obtained nothing.

<sup>6</sup> Lord Balfour (see No. 106, n. 7) took temporary charge of the Foreign Office from May 25 to August 10, during Lord Curzon's illness.

<sup>7</sup> For Mr. Lloyd George's telegram to Mr. Chamberlain on May 4, 1922, following this conversation, see Vol. XVII, No. 621.

In regard to oil he recalled that at San Remo Italy had been left out of the oil agreement.<sup>8</sup> He asked the Prime Minister for a little assistance in these questions concerning Italy.

*Fiume.*<sup>9</sup>

He then asked if the Prime Minister could give him any assistance in his difficulties with Yugoslavia. He himself was prepared to carry out the Treaty of Rapallo<sup>10</sup> in regard to Fiume, but certain questions of detail were troubling public opinion. This was due to a letter which Count Sforza<sup>11</sup> had written relating to Susak. At present there was a most absurd and impracticable frontier between Fiume and Yugoslavia. He found the Yugoslavs extremely intransigent on this question. He had told M. Ninčić that if he insisted upon the complete execution he himself was prepared to carry it out, but he could not conceal that this might exercise serious consequences in Central Europe. If Italy was compelled to carry it out in the letter, public opinion would become excited, and the effect in the future would be bad not only in Italy, but, he might say, on the whole of Central Europe. He had asked Dr. Benes to exercise his good offices, but he had not responded. He would be very glad if Mr. Lloyd George could ask the Yugoslavs not to be intransigent.

THE PRIME MINISTER said he was not very well up in the latest details of this question, but he recalled that the Yugoslavs had a special political difficulty due to the fact that they consisted of three nations—the Croats, Serbs and Slovenes—they were not homogeneous like Italy. He himself had proposed an agreement which the Serbs and Croats would accept, but the Slovenes would not. M. Ninčić was a Serb, and if he gave anything away the Slovenes would say it was because he was a Serb. However, he would see M. Ninčić on the matter.

SIGNOR SCHANZER then drew a plan to explain the difficulties of the frontier of Fiume, which ran down in the very middle of the docks in Fiume. He wished to move the frontier a few metres further to the south in order to remove the inconveniences of the frontier. This frontier had been communicated in a secret letter by Count Sforza, which had not been laid before the Italian Parliament, and which was very difficult for him to execute.

THE PRIME MINISTER repeated that he would see M. Ninčić. He asked if Signor Schanzer had anything else to say, as the German delegates were waiting to see him.

<sup>8</sup> For the Anglo-French Oil Agreement concluded at San Remo on April 24, 1920, see Cmd. 675 of 1920: for the proceedings of the San Remo Conference, April 18–26, see Vol. VIII, Chap. I.

<sup>9</sup> For an account of the Adriatic Question, 1919–20, see Vol. IV, Chap. I, Vol. XII, Chap. II; H. W. V. Temperley (ed.), *A History of the Peace Conference of Paris*, op. cit., vol. iv, chapter v, Part 1 and vol. v, Appendix III (iii); for the settlement of the Fiume Question, 1921 to October, 1922, see Arnold J. Toynbee, *Survey of International Affairs, 1924* (London, 1926), pp. 408–13.

<sup>10</sup> Between Italy and the Serbo-Croat-Slovene Kingdom, November 12, 1920 (see *B.F.S.P.*, vol. 113, pp. 1087–92).

<sup>11</sup> Former Italian Minister for Foreign Affairs.

SIGNOR SCHANZER said all he begged was that Great Britain and Italy might march together.

THE PRIME MINISTER said that Italy had given perfect support to the British delegation at Genoa, and he would do his best in this matter, quite apart from the fact that he was very pro-Italian himself. He recalled that when Italy had been at war with the Turks some years ago<sup>12</sup> some English people had been very pro-Turk, and they had asked Mr. Joseph Chamberlain<sup>13</sup> his opinion. Mr. Joseph Chamberlain had simply said that we ought to back our friends, and that Italy was one of our friends.

LORD BIRKENHEAD said that he always remembered that Italy had come into the war in a very bad moment for the Allies.

### *Reparations.*

THE PRIME MINISTER said that the German delegates who were waiting for him would, no doubt, wish to talk on the subject of reparations. He saw that M. Poincaré had declared that there could be no meeting on reparations until after the 31st May. Considering how long he and Signor Schanzer had been away from their respective capitals, he asked how it would be possible to get them together again? There ought to be a meeting while the Genoa Conference was assembled. He understood M. Poincaré was putting his objection now on the ground that Signor Facta had not invited discussion. He said it was for Italy to send an invitation. He himself did not ask for a formal meeting but for an informal talk between the signatories of the Treaty of Versailles,<sup>14</sup> such as they had had at the Castello [Villa] Raggi. It would be impossible to hold another conference in June. As M. Poincaré was the only Prime Minister who had stayed at home, he suggested that Signor Facta might suggest to him that the Allies should have an informal talk covering the question of German reparations. On the 31st May something had to happen, and it was important to talk matters over first. M. Poincaré talked of taking action. Concerted action was impossible without consultation with the Allies, and as all were in Genoa this seemed the right moment for the conversation.

SIGNOR SCHANZER asked if Mr. Lloyd George would have any objection to San Remo or Portofino.

THE PRIME MINISTER said he would go anywhere—to Nervi, Quarto or Cornigliano.

SIGNOR SCHANZER appeared to consider this proposal favourably.

*Hotel Miramare, Genoa, May 4, 1922.*

<sup>12</sup> A reference to the Italo-Turkish War, 1911–12.

<sup>13</sup> British Colonial Secretary, 1895–1903.

<sup>14</sup> See No. 96, minute 2.

s.G. 25] *Note of a Conversation held at the Villa d'Albertis, Genoa, on Thursday, May 4, 1922, at 11.15 a.m.*

**PRESENT:** *British Empire:* The Rt. Hon. D. Lloyd George, O.M., M.P., Lord Birkenhead, The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P., Sir Maurice Hankey, G.C.B., Sir Edward Grigg, K.C.V.O., C.M.G.

*Germany:* Dr. Wirth, Imperial Chancellor; Dr. Rathenau, Foreign Minister; Herr Dufour.

DR. WIRTH said it was necessary for him to go to Berlin for three or four days. The parliamentary situation there was difficult and even dangerous. Moreover, there had been some serious food troubles in Berlin.

THE PRIME MINISTER said he had not heard of these.

DR. WIRTH said it made it necessary for him to go to Germany for some days, but he had first wished to see the Prime Minister.

THE PRIME MINISTER said he himself was glad of an opportunity for discussion.

DR. WIRTH said that on the previous day he had intended to write a letter to the Prime Minister, but he had heard he might have a conversation, and he had preferred this. He then read the heads which he had written out for this letter, which were somewhat to the following effect:—

A few days ago the Italian newspapers had published a draft of a treaty of non-aggression. This draft coincided with the views of Germany, who welcomed anything likely to bring back peace. Since then, however, he had heard that changes were being introduced and he would comment particularly on two points. The first was that if the German Government signed a non-aggression treaty, it must contain nothing which would compel her to recognise again the Treaty of Versailles. No German Government could possibly give fresh recognition to the treaty. Secondly, Germany, if she signed a pact of non-aggression, must not be left at the mercy of one Power. It was an impossible position for Germany to sign a treaty which gave peace to all the Powers except Germany herself.

This proposed pact compelled him as Chancellor of the German Empire to speak of the position which would arise on the 31st May. He wanted to know whether the idea was that France should act alone and what was the idea of the Allies towards the enforcement of the treaty.

THE PRIME MINISTER then produced a copy of the British draft of a pact of peace.<sup>1</sup>

DR. RATHENAU said that that was the draft which appeared in the newspapers. He understood, however, that a much longer one was contemplated.

DR. WIRTH said he would now be very grateful if Mr. Lloyd George could reply something to his preliminary observations. He would be glad if he

<sup>1</sup> See No. 95, Appendix.



would tell him something which he could repeat to the leaders of the various political parties in Berlin.

(Herr Dufour entered at this point.)

THE PRIME MINISTER said that the British draft of the pact had been mainly intended to relate to the Eastern part of Europe and it had not been really intended so much for the case of the Western States signatories of the Treaty of Versailles. Its object had been to prevent trouble between Russia and Poland, Lithuania, Roumania, &c. They had not discussed it from the point of view of Western Europe. He regretted that Dr. Wirth had to go back to Berlin and he hoped that he would return in a very few days. If the Russians did not agree to the memorandum<sup>2</sup> which had been presented to them, there would be no pact of non-aggression. It would probably not be possible to do anything until Europe had got into such trouble that the whole world would insist on something. Once the steed ran away, it was difficult to stop it until it had smashed the cart. All depended, however, on what line the Russians took.

DR. WIRTH said that he had not given up hope that an understanding would be reached with the Russians. The German delegation was doing its best to persuade the Russians to come to an agreement. The German delegation included certain individuals who inspired confidence in the Russians and they were doing their very best.

THE PRIME MINISTER said that an agreement would be the best thing for Europe as well as for the Germans and Russians. If there were no agreement he could foresee nothing but trouble. If an agreement were reached, there might come a new feeling in Europe which would probably produce good results for Germany. The question was whether there was to be a reign of conciliation and peace in Europe or a reign of force. Great Britain did not expect to obtain any very great trade in Russia for she never had done much trade there. What she desired was peace in Europe. He hoped that the German delegation would use its influence with the Russians not to surrender to their Oriental temperament and to try and start bargaining. If they insisted that they could not take this or that clause, there would be no result. He hoped, therefore, that the German delegation would use its influence. If there were no agreement Germany would be left with her agreement with Russia<sup>3</sup> in a grouping definitely hostile to the other Powers. British sentiment at the present time was entirely in favour of peace, but if the Genoa Conference ended in a break with Russia and Germany was left in the Russian camp, British opinion would become more hostile.

DR. RATHENAU said they were doing their best to convince the Russians. The Bolsheviks, however, said that the German revolution had only brought one advantage, namely, the eight-hours' day, and that the Russian revolution had only produced one advantage, and this was socialisation, which they would cling to.

THE PRIME MINISTER remarked that it had also brought famine.

(Sir Laming Worthington-Evans entered at this point.)

<sup>2</sup> See No. 108, Annex II.      <sup>3</sup> A reference to the Treaty of Rapallo (see No. 75, n. 1).

DR. RATHENAU said that the Russians were in a very difficult situation. His personal impression, which was not based on intimate knowledge, was that there was a difference of opinion between the Russians at Genoa and the Russians at home. In Moscow the Russians believed that the delegation here had been submerged by European opinion. He reiterated that this was a purely personal opinion. He thought that the Russian delegation at Genoa would go as far as they could, but whether they could go as far as he and Mr. Lloyd George hoped, he was not sure. Still, he thought great progress might be made. The German delegation also would like to see the Russians sign a contract acceptable to France and Belgium. Whether they could convince the Russians he did not know, but they ought to get them to go as far as possible. The German delegation included some persons who enjoyed the personal confidence of the Russian delegation and they would try and get them to enter into the European view in these matters. M. Chicherin had given him the impression that he was not hopeful. There was one good thing which had resulted from Genoa, namely, that the conference tended to absorb people into the European sentiment. They would do their best and he hoped for some progress.

THE PRIME MINISTER said that some progress was no good. They must either accept the proposal or refuse it. He was certain that he could never secure any amendment of the document. It had taken a week's fight to reach agreement at all, and then France<sup>4</sup> and Belgium<sup>5</sup> had broken away and he did not know if they would come back. If the Russians tried to obtain further alterations, other nations would seek to escape from the memorandum. This would create a very serious situation. Great Britain would have to leave France to do what she considered necessary in Europe. Great Britain could not prevent this.

DR. WIRTH said it was not his business to criticise the memorandum to the Russians, but he would just say his own impression after reading the memorandum had been that it contained things rather hard for the Russians to accept.

THE PRIME MINISTER asked to what portion of the memorandum Dr. Wirth referred.

DR. WIRTH said it was the part dealing with the inner politics of Russia.

THE PRIME MINISTER said there had been a good deal in the report of the London experts<sup>6</sup> which might justify this criticism, but all this had been taken out of the memorandum to the Russians.

DR. RATHENAU said that the great obstacle to the Socialistic doctrines on which the Russian Government stood was clause 7. This clause was contrary to socialisation, which the Russians regarded as the only useful result of the revolution. He thought there was a difference on this point between the Russian delegation and Moscow. He knew by chance of a telegram which had come at the end of April to the Russians stating that there was great excitement in Russia, and that there had been great propaganda, including large posters, adjuring the Russian delegation to stand firm. The Germans

<sup>4</sup> See No. 108.

<sup>5</sup> See No. 105.

<sup>6</sup> No. 56, Appendix.

had commented on this that they knew how these things were got up, but the Russians had replied that it was others who had done this. He thought there would be great progress. They would do their best to help, but, of course, they were not Russians.

He wished to add something to what the Imperial Chancellor had said in regard to the German situation, which was getting ever graver. Last time he had seen Mr. Lloyd George he had pointed this out. Within the last three days there had been serious trouble and about eighteen policemen had been wounded. He did not know if there had been any deaths. The cost of living during the last month had risen in a terrible manner. In reply to Mr. Lloyd George, he said the increase, of course, was not in gold, but in paper marks. Last year the rate of exchange had been from 55 to 350 marks to the dollar; then it had fallen to 160. Subsequently it rose to 280, and now it was 366 or 367. This was one part of their difficulties, but there was also a political question. He then referred to the moral suffering of the whole nation, which caused great trouble in the political situation. He did not wish to labour the point, as he was aware that Mr. Lloyd George knew it all, but the hardest things were the occupation of the Rhineland, and especially the occupation for sanctions; the occupation in the east, which he hoped would soon end; the work of the commissions all over Germany; the daily notes from the various commissions; the threats of the Reparations Commission and the consideration of new measures of occupation by France; the propaganda in the Rhineland, the Saar Basin and Bavaria. All these things were upsetting the country, and the situation was worse than at any time within the last three years. Moreover, they were getting near a crisis owing to the approach of the 31st May. He need not explain in detail the situation as regards the Reparations Commission. He hoped, however, that the negotiations with the Reparations Commission might result in a small loan giving a respite for a year. If not, and France were to take measures, the situation would become worse than ever.

DR. WIRTH said he had received bad news from the Reparations Commission, and consequently had sent a message to M. Dubois, which he then read. The gist of this was that the German Government regretted that they had not been able to reply to the note of the Reparations Commission, to which an answer had been expected by the end of April, owing to the absence of the principal members of the Government at Genoa. It then suggested that a conversation might take place between the Reparations Commission and Herr Bergmann, the German representative in dealings with the Reparations Commission, and Dr. Hermes, the Minister of Finance, who was going to Paris next week. Dr. Wirth had sent this to try and avoid a disagreement with the Reparations Commission and deterioration in the situation.

THE PRIME MINISTER said he was not very sanguine as to a loan. There were only two markets for a substantial foreign loan, namely, London and New York. Holland could not contribute much. He doubted whether France could contribute much either.

SIR LAMING WORTHINGTON-EVANS also felt doubtful about this.

THE PRIME MINISTER said that only that day he had read a memorandum received from a City man who is sympathetic to Germany, and he had said that he did not think the City would look at a loan until the whole reparations situation was cleared up.

DR. RATHENAU said he knew the difficulties. He had spoken to Mr. Montagu Norman<sup>7</sup> on the subject. The latter had been convinced that a loan was impossible at present. Consequently, he did not feel sanguine, but he was not quite hopeless. He thought something might be raised in France, although the amount would not be very great this year. He had had a conversation with M. Delacroix, who was a member not only of the Reparations Commission, but also of the Loan Sub-Committee, which was to meet in Paris on the 23rd May. M. Delacroix had not been hopeless as to the prospects of a loan in France. Moreover, he himself thought something might be raised in Germany if the loan were exempted from taxation.

If this were done there might be a return of some of the capital that had gone abroad. The amount was not so large as was sometimes believed, but it was appreciable. They might obtain a third, or even a half, of the loan in Germany and another portion in France. He thought also that some portion might be placed in the United States of America. Mr. Morgan was a member of the Loan Committee and would be at Paris on the 23rd May. If the Reparations Commission would agree, he thought it not impossible that a portion might be raised in America. The Swiss portion of the loan would be small. He had spoken to M. Dubois, the Swiss banker, who thought that 250,000,000 fr. might be obtained. Holland could give rather less, he thought about 50,000,000 to 100,000,000 florins, rather more than £5,000,000 sterling. Hence, if the loan was placed in two sections, one section in 1922 and the other section in 1923, he had some hope that enough might be obtained to meet their most urgent needs. He thought that the English position towards reparations was more logical. Nevertheless, he thought that the time for a general settlement was perhaps premature. He hoped that Mr. Lloyd George would agree that the figure of 132 milliards of gold marks was not a scientific computation and most people in Europe did not believe in it. The next time Germany had to sign such a document, he hoped the sum would be one which she really could carry out. The debt must be one which they could repay. Hence, the British idea was not yet capable of realisation. If within the next three or four years sufficient could be raised by loan to give France some money, he thought at the end of that period a permanent arrangement might be reached.

THE PRIME MINISTER said that if Germany could raise a loan it would make a great difference and would considerably ease the situation. The British mind was perhaps not so logical as Dr. Rathenau had suggested. British financiers were asked to bank on the fact that Germany and France would both be reasonable; he very much doubted whether British opinion was going to back the reasonableness of these two countries.

<sup>7</sup> Governor of the Bank of England.

DR. RATHENAU said that he thought that Germany had shown herself to be reasonable.

THE PRIME MINISTER, continuing, said that if there were these constant crises the value of the securities would fall. The City would say: 'If there is going to be trouble again next year the value of the loan will fall'.

SIR LAMING WORTHINGTON-EVANS asked what was the amount contemplated for the loan.

DR. RATHENAU replied 4 milliards of gold marks, i.e., £200,000,000. He thought the Reparations Commission was in favour of it; anyhow, M. Delacroix and some others were; in fact, they were more optimistic than the Germans were themselves. They thought that Mr. Morgan would not have taken the trouble to come over to Paris for the meeting on the 31st May unless America was willing to do something. The situation would be much easier if the loan came off; otherwise, it would be very serious. Consequently, he wanted some idea of what would happen on the 31st May.

THE PRIME MINISTER said that he would have liked a meeting among the Allies to discuss this question. M. Barthou was seeing M. Poincaré and would be returning on Saturday. Until he had exchanged views with M. Barthou it was difficult for him to say much. M. Poincaré's speech had been somewhat menacing.<sup>8</sup> Until M. Barthou's return, however, he was not in a position to discuss the matter, because he did not really know the French position. He had put certain ideas to M. Barthou and he must learn the reception given to these by the French Government.

DR. RATHENAU said that according to the newspapers M. Poincaré had said that he would not do anything until the Reparations Commission had declared a 'manquement volontaire'. This phrase meant that Germany could do more, but would not. As a matter of fact, they were doing all that they could.

THE PRIME MINISTER said that the French view undoubtedly was that Germany was in default.

DR. RATHENAU raised the question as to whether, under the Treaty of Versailles, France was entitled to act alone.

THE PRIME MINISTER said that, under the Treaty of Versailles, France undoubtedly could do so, but that after the occupation of Frankfurt M. Millerand had declared that he would not act alone again without consulting the Allies.<sup>9</sup>

DR. RATHENAU said that the treaty was 'unclear' on the subject.

THE PRIME MINISTER said that France would undoubtedly take the benefit of the doubt.

DR. RATHENAU thought that the best juridical opinion was against it, but still there was a saying, 'Force goes before Right'.

THE PRIME MINISTER thought that the French would act. He understood that the Reparations Commission had demanded that Germany should put her financial house in order, and that Germany had practically refused. Consequently, if there were no loan, Germany would be declared in default. This was why the situation was so urgent.

<sup>8</sup> See No. 96, n. 1.

<sup>9</sup> See No. 106, n. 5.

DR. RATHENAU denied that the Reparations Commission had told Germany to put her house in order. They had said that Germany must increase their taxation by 60 milliards of marks at once. That, at least, was what the German Government had understood, though now the Reparations Commission declared they had said something different. This demand was impossible immediately after Germany had almost doubled her taxation.

THE PRIME MINISTER said he was not now on merits, but on the situation as a whole. The Reparations Commission had put certain demands to Germany which Germany had declared she could not execute. The Reparations Commission must either withdraw them, or——(DR. RATHENAU interpolated—or explain them. He had spoken to Signor Salvaggio Raggi<sup>10</sup> and Dr. Bergmann,<sup>11</sup> and he thought there was a great deal of misunderstanding).

THE PRIME MINISTER (continuing) said that then steps would undoubtedly be taken to enforce payment.

DR. WIRTH asked whether, if the Reparations Commission decided that Germany was in default, France would act alone. If so, it meant the breaking-up of Germany. Technically the demands of the Reparations Commission could not be carried out. The income from taxation had been increased by 40,000,000 a year, but this did not suffice. Both the workmen and the officials were now demanding higher wages.

THE PRIME MINISTER said it was a great misfortune that the Cannes discussion<sup>12</sup> on reparations had come to an abrupt conclusion. At this point he read a memorandum on the recent history of reparations with which he had been furnished (see Appendix). This was translated by Herr Dufour.

DR. WIRTH said that Germany was ready to allow the Reparations Commission to scrutinise all the details of their finance. The German Government was in a very difficult position. Many new laws were now coming into force. They had been fairly successful in their taxation, especially during the last year, but he saw no possibility of any new law which would bring in 60 milliards of marks by taxation. He had himself been Finance Minister for a year, and the difficulties were beyond belief.

THE PRIME MINISTER asked what Germany could do.

DR. WIRTH said that from the new taxation law the German Government expected to raise 50,000,000 to 60,000,000 paper marks, but it was technically impossible to obtain what the Reparations Commission asked.

THE PRIME MINISTER said that he had understood that there was still a subsidy on the German railways, on bread and on coal. Great Britain had got rid of all her subsidies.

DR. WIRTH said that the subsidies were all being taken away on railways, posts and bread.

THE PRIME MINISTER asked when.

DR. WIRTH said that a decision had been taken according to which the bread subsidy would definitely disappear this summer. The subsidy for the

<sup>10</sup> Italian Delegate to the Reparation Commission.

<sup>11</sup> See No. 9, n. 8.

<sup>12</sup> See Nos. 22-5.

railways and posts had already disappeared, but new wages would have to be paid.

THE PRIME MINISTER then explained the difficulty which British public opinion felt. Germany was not paying an internal debt like Great Britain. The latter had an internal debt of something like £7,500,000,000, the interest on which was being paid practically in gold. Then Great Britain had a navy costing £64,000,000, whereas Germany had been fortunate in getting rid of her navy. Great Britain further had an army costing £62,000,000. In addition, there were 2,000,000 of unemployed. Nevertheless, Great Britain was still balancing her budget. British public opinion could not understand why Germany could not do the same. She had practically wiped out her internal debt by depreciation of the currency. She had only a very small army and navy. She had a population of 60,000,000 compared with the United Kingdom's 40,000,000. There was no unemployment except what Dr. Rathenau had referred to at Cannes as 'invisible' unemployment,<sup>13</sup> and Great Britain had that as well. All this really puzzled British public opinion, which was anxious to understand the German position fairly.

DR. WIRTH said that what rendered it impossible to balance the budget was the constant fluctuations and falls in the mark. They could not bring in new laws to meet every such fall.

THE PRIME MINISTER said that as long as the budget did not balance, the mark would continue to fall. The same would happen in Great Britain, where the sovereign was only maintained by balancing the budget.

DR. WIRTH said that they could not do this owing to the amounts they had to pay in reparations.

DR. RATHENAU said that in the previous year they had paid 1 milliard in gold marks in addition to about 600,000,000 to 700,000,000 gold marks in kind. Their production of agricultural products had been reduced to about 54 per cent. of what it was before the war. This was due to the lack of nitrates and phosphates. Further, they had lost much in the way of raw materials, particularly coal and ores.

THE PRIME MINISTER said that Great Britain bought her ores from outside.

DR. RATHENAU replied that even before the war the position had always been difficult, and had only been balanced by the fact that Germany possessed raw materials. In addition to what he had said, Germany had handed over great quantities of materials of all kinds, including locomotives and rolling-stock, to France. It had been calculated that since 1918, without including territory, Germany had given away 50 milliards. They had got nothing and given 40 to 50 milliards. Owing to this, the income of the country was very largely reduced, more especially the income of individuals, excluding war profiteers, who existed in every country.

THE PRIME MINISTER remarked that M. Stinnes<sup>14</sup> seemed to have done well.

DR. RATHENAU said that he was not sure how far M. Stinnes had worked

<sup>13</sup> See No. 23.

<sup>14</sup> A prominent German industrialist and a leader of the Deutsche Volkspartei.

with German and how far with foreign capital. There was now a good deal of foreign capital. The income of the German citizen, however, was reduced to the extent that the greater part of the population was now living below the scientific minimum standard of existence. Their income had been reduced so far that even without paying reparations their position was very bad. Nevertheless, a considerable sum had been paid in reparations last year, and they were prepared to pay more this year. The deliveries in kind amounted to 1,450,000,000 gold marks. In the first four months of this year, Germany had already paid more than 300,000,000 in gold.

DR. WIRTH said he could not imagine that Germany could be declared in default when she invited the fullest investigation of her financial position. In his view, that was the principal factor in the whole situation.

THE PRIME MINISTER said that he was now in possession of Dr. Wirth's view, and after Saturday, when M. Barthou returned, he would hope to have another conversation. He did not wish to say anything now in regard to the commissions of control. He had his ideas on the subject, but he was not ready to discuss it. He could quite understand the exasperating effect of these commissions, and he thought there ought to be some way of dealing with them.

DR. RATHENAU asked whether some British representative could not talk the matter [over] with a German representative before the further meeting. The Germans did not want the British to think that they were being unfairly treated by Germany. It would be a matter of great importance if a British representative could have a look into the whole German situation. So far the Cannes meeting had been the only occasion for giving them such an insight. His view was that the German situation had not been so profoundly studied as it ought to have been.

THE PRIME MINISTER said he thought he had better discuss the matter with M. Barthou first.

DR. RATHENAU said that, if France realised her intentions of entering further into Germany, it would be very serious. He thought Mr. Lloyd George already knew the propaganda which had been carried out in the Rhineland, the Saar Basin and Bavaria. If this further occupation happened, the consequences would be more serious than the French realised. He said that allusion had been made in Germany to an alleged speech by Mr. Lloyd George regarding the neutralisation of the Rhineland. The German Government had never been able to discover exactly whether he had made it or not.

THE PRIME MINISTER said he had never made any such statement.

DR. RATHENAU said that possibly he had been speaking of demilitarisation, which was much spoken of in the Rhineland.

THE PRIME MINISTER said he never made any speech on the subject.

DR. WIRTH said he had received a letter from Prince Hatzfeldt, the Rhineland commissioner, who had had a conversation with M. Tirard<sup>15</sup> on the

<sup>15</sup> French High Commissioner and President of the Inter-Allied Rhineland High Commission.



subject. French propaganda was very active in the Rhineland, and they spoke of neutralising it and granting it autonomy, Germany being given colonies in return. The matter had been raised in the Chamber in Berlin. He himself had replied that he knew nothing of it.

THE PRIME MINISTER said that neither he nor any British Minister made any such statement. The French newspapers, of course, were full of such proposals, but he had never heard any responsible French Minister mention it.

On saying 'Good-bye', the Prime Minister said that, if the Genoa Conference was a success, Germany would then have an opportunity to develop herself as a great industrial country, as she had done with so much success before the war.

[*Note.*—A few minutes later SIR EDWARD GRIGG returned to say that the Imperial Chancellor had told him that food troubles in Berlin had been so serious that he thought he might have to return the same evening. He had asked if he might tell the political leaders that the Prime Minister was doing what he could to get the question of reparations discussed at Genoa.

THE PRIME MINISTER said that this was common knowledge and that he had no objection to such a statement. He thought Sir Edward Grigg might add to Dr. Wirth that Signor Schanzer was considering requesting Signor Facta to ask M. Poincaré for such a meeting.

Later in the afternoon a telephone message was received that Dr. Wirth had decided not to leave for Berlin until after Saturday.]

*Hotel Miramare, Genoa, May 4, 1922.*

#### APPENDIX TO NO. 111

##### *Recent History of the Reparation Negotiations.*

The hopeless situation of the German finances at the end of last year led, at the Cannes Conference in January 1922, to proposals for a large reduction in the 1922 payments due under the London ultimatum of May 1921.<sup>16</sup> Instead of the payments totalling a sum of 3·3 milliards of gold marks (due under the London ultimatum), the Allied experts at Cannes recommended the payment during the year 1922 only of some 720,000,000 of gold marks and deliveries in kind to the maximum values of 1,450,000,000 gold marks.<sup>17</sup>

The fall of M. Briand,<sup>18</sup> however, rendered it impossible for the Supreme Council to take any definite decision on the experts' proposals, and the Cannes Conference contented itself with instructing the Reparation Commission to summon the German Government to put forward their own proposals for the 1922 payments and for the guarantees in the shape of budgetary and currency reform which might reasonably be expected as the result of the partial moratorium which the Allies proposed to grant.<sup>19</sup>

The German proposals were received on the 28th January, 1922.<sup>20</sup> They may be said to have been not unreasonable so far as the guarantee budgetary and currency

<sup>16</sup> See No. 7, n. 7.

<sup>17</sup> See Nos. 22 and 23.

<sup>18</sup> See No. 23, n. 3.

<sup>19</sup> See No. 25, Appendix II.

<sup>20</sup> The question of German reparations for 1922 will be dealt with in Vol. XX.

reforms were concerned. They contained, however, no definite proposals for the 1922 payments, the German Government contenting themselves with pleading their inability to make such large payments as those suggested by the Cannes experts.

The Reparation Commission replied to the German proposals on the 21st March, 1922. The proposals of the Cannes experts were adhered to. In addition to the guarantee reforms originally demanded, the German Government were summoned (apparently in order to meet the further deterioration in the financial position consequent upon the recent fall in the mark) to increase, by a further 60 milliards of paper marks, the German taxes, of which a heavy increase was already foreshadowed by the 'taxation compromise' of the 26th January, 1922.<sup>21</sup> The German Government were further informed that they would have to keep the Reparation Commission fully seized of all their fiscal legislation.

As was to be expected, the Reparation Commission's demands were refused by the German Government on the 7th April, 1922. The German Government declared their inability to impose further new taxation, or to make further cash payments, otherwise than by means of a foreign loan, or to accept any 'control' which would be such as to imply the exercise by foreign Powers of 'a decisive influence on the passing and the application of legislation'. The German Government, however, welcomed the institution by the Reparation Commission of a special commission of experts, with the participation of neutrals and a German representative, to examine the possibility of the payment of reparation by means of a foreign loan. They offered also to submit to 'an exhaustive examination of Germany's fiscal capacity, in conformity with article 234 of the treaty, under the auspices of the Reparation Commission and by means of experts not confined to nationals of the States directly concerned'.

The Reparation Commission, in a note of the 13th April, 1922, adhered to the demands made on the 28th March, 1922.

The position thus remains that on the 31st May, 1922, the Reparation Commission will, in accordance with their note of the 28th March, 1922, examine the measures taken by the German Government to give effect to the demands made in that note. If the demands made have not been executed (and they will presumably not have been executed), the payments due under the London ultimatum of May 1921 will become due as from the 15th June, 1922. Should these payments not be forthcoming on that date, the Reparation Commission would report the German Government for default. Paragraph 18 of annex to the reparation clauses of the Treaty of Versailles would then operate:—

'The measures which the Allied and Associated Powers shall have the right to take in case of voluntary default by Germany, and which Germany agrees not to regard as acts of war, may include economic and financial prohibitions and reprisals, and in general such other measures as the respective Governments may determine to be necessary in the circumstances.'

*Genoa, April 28, 1922.*

<sup>21</sup> An agreement between the German Government Parties and the People's Party for the better collection of existing taxes and the introduction of new ones, including a forced loan.

s.G. 26] *Note of a Conversation at the Villa d'Albertis, Genoa, on Friday, May 5, 1922, at 11 a.m.*

PRESENT: *British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P., Sir Maurice Hankey, G.C.B.

*Poland*: M. Skirmunt, M. J. Ciechanowski.

MR. LLOYD GEORGE said he understood that M. Skirmunt had seen M. Chicherin.

M. SKIRMUNT said that he had begun his conversation with M. Chicherin by saying that his impression was that the first three weeks of the Genoa Conference had been filled by a misunderstanding between Poland and Russia, and so he had thought it advisable to get into personal touch. He had continued that the Polish attitude had never been hostile towards Russia, and that any information to the contrary was false. He gathered, however, that Moscow was under the impression that the Polish attitude was hostile, and he noted a cessation in the execution of the treaties which had been signed. To this M. Chicherin had replied that all this was due to the fact that the Poles were too friendly with France, and were associated too closely with the group hostile to Russia. M. Chicherin had suggested that if France went against Russia at the Genoa Conference, Poland was too weak. Those, he thought, were the principal points of the conversation. M. Chicherin had pointed out that Poland was too strongly associated with the *bloc* of Powers which had presented the memorandum of the 2nd May,<sup>1</sup> and that they would do better if they took a more independent line. He had had lunch with M. Chicherin, who, during his conversation had never touched on the question of Eastern Galicia, Vilna, or the eastern frontiers of Poland. Notwithstanding that they had not been discussing the question of treaties, M. Skirmunt had made an illusion to Vilna, but it had not drawn any reply from M. Chicherin. That part of his conversation, and the absence from it of any criticism on the above subjects, confirmed M. Skirmunt in the conviction that they were not the subjects of controversy between Russia and Poland.

MR. LLOYD GEORGE asked if, on the contrary, it did not rather confirm his own impression, that if there were difficulties with Russia as the result of the present conference, the Russians would at once raise these questions. He was under the impression that M. Chicherin had in fact referred to these frontiers in conversation with him, though he could not recall what was the precise occasion.

M. SKIRMUNT said he could not reply to this in a documented manner, but he would draw attention again to the fact that M. Chicherin had studiously avoided the question of frontiers, even when the conversation had touched on subjects which gave him an opportunity to raise them. For example, M. Chicherin had made a proposal for mixed commissions of control over the frontier zones on both sides of the frontier, for the purpose of dealing with

<sup>1</sup> See No. 108, Annex II.

incidents. M. Chicherin had further said that this was important, because he wanted Poland to become a bridge between Russia and Germany instead of a barrier. He (M. Skirmunt) had replied that he wanted nothing more than good relations with his neighbours, but that this would not depend only on Poland. M. Chicherin had also said that the story that Russia would attack Poland was all nonsense. M. Skirmunt had then asked him why Russia was massing troops on the border, and M. Chicherin had replied that if the conference at Genoa did not succeed there might be attacks on Russia, and this compelled them to make preparations for all emergencies. M. Chicherin had also told him what he had already learned from Dr. Benes, namely, that the Russians hoped that if the conference did not succeed, at any rate matters should not come to a rupture. M. Chicherin preferred that matters should remain open, and that certain commissions should remain at work to examine the question, and that negotiations might then be taken up later. He had obtained the impression that in any case there would be a *détente* between Russia and Poland. That was all he had to say in this connection. He would beg Mr. Lloyd George, before passing to the Polish questions on which he wished to speak, to let him speak further on matters relating to Russia. He had formed the impression that the Russians considered that the preamble to the memorandum of the 2nd May did not go sufficiently far in what it stated in regard to the reconstruction of Russia.

MR. LLOYD GEORGE asked if M. Chicherin had said this.

M. SKIRMUNT said no, but this was the general impression he had formed from his conversation with M. Chicherin. What the Russians wanted was further credits, and they were given an exports credit scheme which merely financed merchants and others who would do business in Russia. He himself quite well understood that at the present time, and particularly at the Genoa Conference, it was impossible to speak of a great loan to Russia. Nevertheless, he thought that means might be found for giving the impression that this would not be out of the question in due course. In fact he would like the Powers to give tangible proof that it was not out of the question by sending an expert commission to Russia to study and report. Such a commission might attract the financiers of America. If he might draw a parallel he would refer to a commission (certainly a political and not an economic commission) which had been sent from Paris to Poland during the Peace Conference, of which M. Noullens<sup>2</sup> and Sir Esme Howard<sup>3</sup> had been members, and which had first given to Western Europe and America some idea of the political position in Poland. A similar commission for Russia would make a most favourable impression.

MR. LLOYD GEORGE said that the position of Poland had been quite different. Poland was a civilised nation and had accepted the methods of civilised nations in regard to property, debts and so forth. If the Russians would not do that, Great Britain would take no more interest in her. If there were no openings in Europe for capital there were plenty in the

<sup>2</sup> Former French Ambassador in Petrograd.

<sup>3</sup> H.M. Ambassador Extraordinary and Plenipotentiary at Madrid.

British Empire and different parts of the world—Africa, South America and so forth. If an agreement with Russia was not reached at Genoa, Great Britain would take no further interest in the matter. They would consider the incident as closed, and so far as Great Britain was concerned Europe would be left to 'stew in her own juice'. America had already led the way in this, and Great Britain, being an island, was not so differently constituted and might perfectly well take her own line. At present it looked to him as though M. Chicherin meant to refuse the conditions in the memorandum. If this occurred so far as Great Britain was concerned there was an end of the matter. Great Britain had never had any great trade with Russia, such as Germany had had. The British Government's interest in this question had been the general interest of European peace. However, it seemed that no one wanted this. M. Chicherin, France, Belgium—all appeared to reject the idea of peace, though he presumed that Poland was in favour of it.

M. SKIRMUNT said that there was no doubt whatsoever that Poland wanted peace, but he thought the policy outlined by Mr. Lloyd George was a dangerous one. He himself shared the idea of M. Chicherin that there should be no definite rupture at the conference, and that it should be kept alive in some way. It was of great importance to Europe, as well as to Poland, not to break off suddenly. A chance should be given to the Russian delegation to return and get the upper hand over the war party; otherwise the war party in Russia would get the upper hand. Hence it was very important that there should be no break. M. Chicherin, referring to the memorandum, had told him that he did not regard it as an ultimatum, but as a basis for discussion. He had appeared prepared to accept some points, but to reject others.

MR. LLOYD GEORGE said that no one knew better than M. Skirmunt the difficulty there had been in getting the memorandum accepted. He asked if there was any chance of obtaining any further concession towards the Russian point of view. Belgium had withdrawn already.<sup>4</sup> So far as Great Britain was concerned there would be no rupture; they would simply say they were going to turn their minds to something else. That was the way the British people did business. They would simply say 'Good morning, hope we shall meet sometime'; but there would be no rupture. There was no reason why Poland, France and Belgium should not send a commission to Russia if they thought they could find anything there. They would undoubtedly find a good deal of typhus, and many members of the commission would probably never return. Perhaps he could find some friends to nominate for such a commission.

M. SKIRMUNT said that Poland herself did not want commissions. She knew Russia very well, and unfortunately there was also typhus in Poland. He would, however, like to rectify any impression that the idea of a commission had anything to do with France and Belgium. It was purely personal.

MR. LLOYD GEORGE continued that if the Genoa Conference broke down Great Britain would probably have to take the same road as the United States of America, and leave Europe, to use a colloquial expression 'to stew

<sup>4</sup> See No. 105.

in its own juice'. It was no use for M. Chicherin to send a memorandum demanding all kinds of concessions about private property and debts. That morning he had seen an interview in the newspapers with M. Chicherin, in which he said that he could not accept the clauses relating to private property and debts.<sup>5</sup> If he could not, who did he expect to make a bargain with? If he replied in the same sense as the interview, it would be best to wind up the Genoa Conference at once, and for each nation to go home to its own business. Otherwise the Russians would go on talking for ever. Their mentality was such that they did not mind seeing people dying in thousands every day of famine. We had not yet reached that stage of civilisation. He asked if M. Chicherin had said when he was likely to reply.

M. SKIRMUNT said he had not asked the question, and M. Chicherin had not said: but his own impression was that the reply would come at the end of the week.

MR. LLOYD GEORGE said that that was satisfactory, as it would enable him to get away the following week. He wished it had been possible to settle the questions of Galicia and Lithuania before the end of the Genoa Conference. If there had been any reasonable chance of a European settlement, they might have had a discussion on the subject. If, however, the conference was going to break down, it was hardly worth while.

M. SKIRMUNT recalled that he had spoken to the Prime Minister on the questions of the western frontier of Poland and matters relating thereto at his interview in London.<sup>6</sup> These matters had been left for the decision of the Principal Allied and Associated Powers under article 87 of the Treaty of Versailles. They were not the basis of the Genoa Conference, but if a pact of non-aggression was to be reached the frontiers ought to be settled; if not at Genoa, at any rate soon. If Mr. Lloyd George would like to postpone the matter until things took a better turn at Genoa, he would have no objection, but they ought to be settled in connection with the pact of non-aggression. Certain remarks made by Mr. Lloyd George in the course of the conference on this subject had evoked very great interest in Poland, and the matter ought to be settled shortly.

MR. LLOYD GEORGE asked whether this meant that Poland was uneasy in regard to the pact of non-aggression.

M. CIECHANOWSKI replied in the negative.

MR. LLOYD GEORGE said that if there were no agreement with Russia there was no object in having a pact of non-aggression.

M. SKIRMUNT agreed that this point of view was comprehensible, but he thought a pact of non-aggression would have some value even if Russia was not a party to it. He would say in parenthesis, that the frontiers of Poland must be decided one day, since this was provided for in article 87 of the Treaty of Versailles, though admittedly it was not strictly part of the Conference of Genoa. Moreover, so long as it was unsettled it left open a question which was a real danger. He wished Mr. Lloyd George to realise that he did not regard it as essential that it should be settled at once, and it might perhaps

<sup>5</sup> Cf. *The Times*, May 5, 1922, p. 18.

<sup>6</sup> See No. 62, n. 3.

be better to have a settlement in a quieter atmosphere than that of Genoa. One reason why an early settlement was necessary was that the Polish elections were due towards the end of the year, and it was difficult to make the elections when the frontiers were uncertain.

MR. LLOYD GEORGE said that he must wait for M. Chicherin's reply before making up his mind on a further step. The whole of the politics of Europe might be changed according to that reply and according as to whether the conference were a success or not. There might be radical changes in the attitude of the different countries towards each other.

M. SKIRMUNT said he hoped that the recent improvement and better understanding in the relations between Poland and Great Britain would continue. He hoped that this would not have a set-back if the conference came to a standstill and there was a regrouping of the Powers. That was his own policy. In any event, he must reserve the right to revert to this question whatever the result of the conference, and he hoped Mr. Lloyd George would discuss it with him before he left Genoa, because he attached great importance to an exchange of views.

MR. LLOYD GEORGE said that he would be very glad to speak of these matters before he left Genoa. Great Britain had always had a very friendly feeling towards Poland. He would, however, speak quite frankly, for it was useless to have a conversation of this kind if they could not speak frankly, and he must say that there had been a good deal of misunderstanding in Great Britain towards certain questions to which he need not make allusion now. M. Skirmunt, however, had done very much to improve matters. He was the first Polish Minister to whom he himself had spoken without feeling that the policy of Poland was irreconcilably opposed to that of Great Britain.

M. SKIRMUNT thanked Mr. Lloyd George for this personal appreciation, and then made two requests: first, that, whatever the result of the Genoa Conference, he might have another opportunity to speak to the Prime Minister before leaving Genoa; and, second, that Mr. Lloyd George would take no decision without hearing his views.

MR. LLOYD GEORGE agreed to both requests. His personal relations with M. Skirmunt had been so friendly that it would be a pleasure to interchange views on this subject. He realised that M. Skirmunt approached these questions in a calm and reasonable spirit, which he hoped would eradicate the impression that had grown up in Great Britain during the last three years that Poland was out for conquest and expansion. M. Skirmunt certainly gave him a totally different impression.

M. SKIRMUNT said that he understood from Mr. Lloyd George that M. Chicherin had made some allusions in conversation to the frontiers of Poland. If it were not indiscreet, could he ask what the nature of his references was?

MR. LLOYD GEORGE said he was certain he had made some reference to them somewhere, though he could not remember the occasion. He asked Sir Maurice Hankey to try and find the reference. He thought it rather ominous that M. Chicherin had not mentioned the frontiers to M. Skirmunt. These frontiers were a very fruitful possible source of trouble. The

Ukrainians would always have an excuse for interfering in Eastern Galicia. The Ukraine was a mere camouflage, and this would always give Soviet Russia an opportunity to interfere. He thought it probable that Lithuania would make an appeal to Russia in connection with Vilna.

M. CIECHANOWSKI recalled that there was a clause in the Treaty of Riga<sup>7</sup> whereby Russia undertook not to interfere in the Vilna dispute.

MR. LLOYD GEORGE said that no importance should be attached to this. He recalled that Mr. Joseph Chamberlain<sup>8</sup> had said that 'Russians were always Russians'. On one occasion the Russians, after undertaking not to fortify Port Arthur, had, in fact, fortified it,<sup>9</sup> and Mr. Chamberlain had made the comment, 'He who sups with the Devil needs a long spoon'.<sup>10</sup> Probably all that the Russians meant by signing this clause in the Treaty of Riga was that they were not ready for a quarrel yet. When they saw that Europe was not going to help them, the moment would come for some movement such as Kameneff had suggested in his proclamation, where he had said in effect, 'There is plenty of food in the West'.<sup>11</sup>

M. CIECHANOWSKI said that the Polish experts did not think that the Russians would reject the memorandum. They would try to drag out the negotiations and to obtain three or four months' respite. During this period they would put pressure on Europe to yield. They would try all sorts of ways to make it unpleasant for Europe, by putting pressure on Poland, accusing her of not carrying out the treaty, and so forth. They would hope by these means to get further concessions. Their pretext for the delay would be that they wanted three or four months in which to persuade their own people to agree.

MR. LLOYD GEORGE said that that was tantamount to a rupture. They would find in two or three months' time that, instead of getting Europe to agree, there would be a definite rupture, and Poland and Roumania would be the first to feel the results. There would be no second Genoa Conference.

M. SKIRMUNT said that, whether the Genoa Conference succeeded or not, he himself felt sure, especially in the latter case, that Mr. Lloyd George would not in fact disinterest himself in Europe; his desire for peace would still remain. He hoped, therefore, that, if the Russians dragged matters out, Mr. Lloyd George would not go so far as he had suggested.

MR. LLOYD GEORGE said that every country in the long run pursued a traditional policy. That of Great Britain was to disinterest herself in Continental affairs until some great military Power rose up, such as Philip of Spain or Napoleon or the Germans in 1914. After the recent war Great Britain had felt a very special responsibility owing to the part she had played in the war. If Genoa did not succeed in bringing peace, her policy would have failed. Apparently all the countries refused to make peace. This did

<sup>7</sup> See No. 82, n. 9.

<sup>8</sup> See No. 110, n. 13.

<sup>9</sup> For the Russian acquisition of Port Arthur in March, 1898, see G. P. Gooch and H. Temperley (ed.), *British Documents on the Origins of the War, 1898-1914* (London 1927-38), vol. 1, chapter 1.

<sup>10</sup> In a speech in Birmingham Town Hall, May 13, 1898 (see J. L. Garvin, *The Life of Joseph Chamberlain*, vol. 111 (London, 1934), pp. 282-3).

<sup>11</sup> Cf. No. 95.



not apply only to Russia. France and Belgium were just as bad, not only in their attitude towards Russia, but in their attitude towards Germany as well. Consequently, Great Britain would have to fall back on her traditional policy. She could not be accused of selfishness; she had done her best to try and bring about peace. Europe was not essential to her, and she could revert to her life, which was on the sea, for Great Britain was essentially a sea Power. The United States of America had already withdrawn. There was a very strong feeling towards such a policy in Great Britain at the present time. The feeling would be deepened, if the Genoa Conference failed, that we ought to wash our hands of Europe and look after our own interests. The British people had always been engaged in a world trade. India and China were more to them than many European countries; they really had a closer contact with them. Only that morning he had received a report from a very shrewd observer showing the trend of public opinion in this direction, and how irritated it was at the French action at Genoa. Great Britain would trouble herself no more with France, Belgium and Russia. Italy was rather different, as she stood for the same policy, and there was a traditional friendship. Broadlyspeaking, however, Great Britain would fall back on her old traditional policy, though it would be necessary for her to collect her debts.

M. SKIRMUNT said that America could do something in this respect for everyone.

MR. LLOYD GEORGE said that America would not do so. The only hope of America doing anything for Europe had been that peace should be established. Great Britain owed the United States of America about £1,000,000,000, and was herself owed a little over £3,000,000,000 from European countries. She had a balance in her favour of £2,000,000,000, though that did not give her much satisfaction. There might have been elements for a bargain in this situation providing for some mutual remission of debts. If, however, the Genoa Conference broke down, America would not look at Europe.

*Villa d'Albertis, Genoa, May 5, 1922.*

### No. 113

s.G. 27] *Note of a Conversation at the Villa d'Albertis, Genoa, on Friday, May 5, 1922, at 5 p.m.*

PRESENT: *British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P., Sir Maurice Hankey, G.C.B., Sir Edward Grigg, K.C.V.O., C.M.G.

*Serbia*: M. Ninčić, M. Antonievitch.

*Genoa Conference.*

THE PRIME MINISTER remarked that the conference was awaiting the reply of Russia.<sup>1</sup>

<sup>1</sup> To the Memorandum transmitted to the Russian delegation on May 2 (see No. 108, Annex II).

M. NINČIĆ said he supposed that France would now withdraw her signature from the memorandum to Russia. If so, what would be the new situation?

THE PRIME MINISTER said that M. Barthou would be in Genoa on the following day. He would be in a better position to answer the question after seeing him. He did not think, however, that the French would refuse to sign if the Russians accepted.<sup>2</sup>

M. NINČIĆ asked whether, supposing the Russians refused the memorandum, there would be time to start discussing details, using the memorandum as a basis.

THE PRIME MINISTER said it all depended upon the character of the Russian refusal. If they declined on fundamental principles there would be no use continuing. If, on the other hand, they refused on small matters of detail, it would be a pity to have a rupture. If they said they could not accept the principle of payment of debts or restoration, or compensation for property, then it would be different.

### *Pact of Non-Aggression.*

M. NINČIĆ then asked, in regard to the pact of non-aggression, whether the conference would await the reply of the Russians or pass immediately to discuss the pact.

THE PRIME MINISTER said that if the Russians did not accept, he saw no object in having a pact of non-aggression; so far as he was concerned, there was an end of it.

M. NINČIĆ asked whether, if the Russians accepted or disagreed on some non-fundamental point, the conference would then await the results of the discussions, or would they go ahead with the pact.

THE PRIME MINISTER said that, in that case, provided the Russians accepted, in principle, the pact might be discussed among the other Powers first, without the Russians.

M. NINČIĆ asked whether it would come on the agenda of the conference.

THE PRIME MINISTER said it would be necessary first to have a discussion among the other Powers.

M. NINČIĆ said he supposed this would be semi-official. He had not been present when Dr. Benes had given the Prime Minister his memorandum.<sup>3</sup> He wished him to know, however, that that represented the views of the Little Entente.

THE PRIME MINISTER said he had not studied the memorandum quoted, but he understood the neutrals would not accept it. That was why it was necessary for the Powers to discuss it among themselves without the Russians.

<sup>2</sup> In his telegram No. 250 of May 3 to Lord Curzon (repeated to Genoa) Lord Hardinge had stated: 'I learn that at Cabinet meeting which lasted from 2.30 to 5.30 this afternoon the French government decided unanimously, after hearing Monsieur Barthou's account of what had passed at Genoa, that France should remain at side of Belgium, (and therefore presumably refuse to sign memorandum to Russians). Monsieur Poincaré offered to Monsieur Barthou (who returns to Genoa on Friday) congratulations of French government on his courage and firmness at Genoa.'

<sup>3</sup> Not printed. See, however, No. 95.

M. NINČIĆ asked why the neutral Powers would not have it.

THE PRIME MINISTER said that the neutrals were ready to recognise the Treaty of Peace as a fact, but not to sign any agreement that appeared to give their sanction to them [*sic*]. They neither approved nor disapproved, but were unwilling to sign any document giving them responsibility.

M. NINČIĆ said he thought that the matter ought not to go to the conference until the text was agreed by the various Powers.

THE PRIME MINISTER said that the representatives of Switzerland, Holland and Sweden had spoken in the sense he had just mentioned. They were not critics of the treaties, but they were unwilling to give their sanction to them.

M. NINČIĆ said that the problem is to find a formula which would satisfy France, on the one side, and the neutrals on the other.

THE PRIME MINISTER said that was the difficulty everywhere. There were so many antagonisms in Europe that this difficulty arose at every point.

*Treaty of Rapallo<sup>4</sup>: Fiume.<sup>5</sup>*

M. NINČIĆ said he had had some conversations with the Italian representatives on the subject of the Treaty of Rapallo, and he would like to explain the situation.

THE PRIME MINISTER said he would be very glad to hear it.

M. NINČIĆ said that the Italians had not yet evacuated some of the territory due to be ceded by them under the Treaty of Rapallo, including Zara, Susak and Baros. Under the Treaty of Rapallo, Fiume had been constituted an independent State. The elections for the Constituent Assembly had taken place during the Italian occupation, and the Croats had had to abandon Fiume owing to the action of the Fascisti. In spite of this the majority, even though composed of Italians, had not taken the Italian view. He had been negotiating here at Genoa for the complete evacuation, but his negotiations were not making much progress. He himself was being attacked in his own country for negotiating with the Italians before the evacuation had taken place. He was speaking very openly. The Italians had suggested that Fiume should not be an independent State, but should be under the joint protection of Italy and the kingdom of the Serbs, Croats and Slovenes. His country, however, could not accept that. The result was a complete *impasse*. In his view there should be neither a common dominion nor a protectorate, but a real independent State. Zanella, the leader of the Independent Party, had appealed to the League of Nations. He himself was anxious to arrange matters in a friendly way with the Italians, but in a last resort he would also have to appeal to the League of Nations. He was sure the Italians would resist this as long as possible, but in the last extremity he would make an appeal. In regard to the territory occupied by the Italians, he now regretted that his country had not accepted the 1920 line which Mr. Lloyd George had proposed. M. Pasitch<sup>6</sup> had wished to accept it but M. Trumbitch<sup>7</sup> had not, and the Serbs did not like to appear to yield Croat territory.

<sup>4</sup> See No. 110, n. 10.

<sup>5</sup> See *ibid.*, n. 9.

<sup>6</sup> President of Yugoslav Council.

<sup>7</sup> Former Yugoslav Minister for Foreign Affairs.

THE PRIME MINISTER recalled that the Crown Prince and M. Pasitch had both wanted to accept, but there had been someone who stood out. There had been a lunch at which the matter had been discussed, and one of the Croat politicians stood out. At that time the Italians would have been willing to accept.

M. NINČIĆ said that the Treaty of Versailles [*sic*] was much worse than the proposed settlement of 1920. Though the Treaty of Rapallo was a bad bargain, nevertheless he was prepared to carry it out.

THE PRIME MINISTER asked if the boundaries were finally fixed. Was there not some difficulty in regard to them?

M. NINČIĆ said that the Treaty of Rapallo laid down the frontiers, and there were only certain detailed delimitations to be adjusted. The Italians, however, were holding territory as a sort of hostage.

THE PRIME MINISTER said he would see Signor Schanzer. Supposing he could get Signor Schanzer to withdraw from the occupied territories, did M. Ninčić think that a settlement of the boundaries would be practicable?

M. NINČIĆ said that the frontiers difficulty arose in connection with the port of Baros. He explained the situation on a map of Port Baros, of which he handed a copy to the Prime Minister. He then read the secret letter from Count Sforza, which stated specifically that Port Baros was within the territory of the Serb-Croat-Slovene kingdom, and added that the letter must be kept secret. He said that the Italian Government was now refusing to recognise Count Sforza's letter.

THE PRIME MINISTER said he understood there had been some difficulty about that. Was it not a private letter?

M. NINČIĆ said it was not. It was a formal letter attached to the Treaty of Rapallo.

THE PRIME MINISTER said that he now realised the point of view of the Serbian Government, and would see Signor Schanzer. There was a good deal to be said for a conversation *à trois*. Great Britain was a neutral in this question. He himself had done his best to persuade Signor Orlando, but just as they were on the verge of an agreement, President Wilson had written a letter which destroyed it. In 1920 he had tried to persuade Signor Nitti, and then it had been M. Trumbitch who had destroyed the agreement. The great thing was when an agreement was reached, to clinch it. There was a great deal to be said for a conversation *à trois*.

M. NINČIĆ said it was a very good idea, and he would accept the proposal with pleasure. He wished to settle in the most friendly spirit with the Italians.

THE PRIME MINISTER said that he would see Signor Schanzer on the following day. He had promised to keep the morning for M. Barthou, but he would see Signor Schanzer in the afternoon, or if he finished with M. Barthou sufficiently soon in the morning, he would ask M. Ninčić to hold himself in readiness in Genoa in the morning.

M. NINČIĆ undertook to be at the Hotel Bristol all day Saturday until he heard from Mr. Lloyd George.

*Hotel Miramare, Genoa, May 5, 1922.*

S.G. 27A] *Memorandum<sup>1</sup> of an Informal Meeting at the Villa d'Albertis, on Friday, May 5, 1922, at 5 p.m.*

PRESENT: *Great Britain:* The Prime Minister (Part of the time), Sir L. Worthington-Evans, Mr. E. F. Wise.

*Russia:* M. Krassin.

SIR L. WORTHINGTON-EVANS said that he understood that M. Krassin wished to see him in order to elucidate certain questions concerning credits.

M. KRASSIN stated that the possibility of accepting the Memorandum of May 2nd 1922<sup>2</sup> depended on the credits. It was not enough that facilities should be given to foreign traders to sell their goods to Russia or even to take up particular concessions. It was essential from the point of view of the Russian Government that they should have credits available for dealing with the many matters of vital importance to Russia, but on which the foreign trader could not expect to get immediate profits and for a variety of small things necessary to the re-establishment of Russian economic life. He gave as examples, supply of food to the famine areas; supply of boots or food to particular classes of railway workers; telegraphic installation throughout Russia for general communication purposes; spare parts in a great variety, required sometimes only in small quantities by nearly every factory. It would be possible to establish concessionnaires or syndicates who would exploit the mines, oil wells, etc. . . . For purposes such as he indicated, such measures were impossible.

He proceeded to explain the scheme for the economic reconstruction of Russia over a period of three years which had been drawn up in Moscow. In regard to railways, even if they concentrated upon 15,000 kilometres of the 60,000 in Russia they required 200 million gold roubles, or 25 million sterling, per year external credits.

For waterways the need was 50 million gold roubles per year; for the re-establishment of their coast shipping, 20 million gold roubles per year; for main roads 30 million gold roubles per year and grants to local authorities for the improvement of local communications, 50 million gold roubles per year. The total for communications was, therefore, approximately 350 million gold roubles per year, or, say 40 million sterling.

For agriculture, including machinery, seeds, etc., the need was 35 million sterling per year; for industry, including textiles, metal, oil, etc., the need was approximately 50 million sterling per year.

Thus the total need of external credits for this three-years reconstruction programme was approximately 120 million sterling per year.

SIR L. WORTHINGTON-EVANS observed that, except for the roads, practically all these enterprises were such as would normally be supplied by private capital.

<sup>1</sup> A handwritten note on this memorandum read: 'No circulation made (Only copy)'.

<sup>2</sup> See No. 108, Annex II.

In any case it was quite hopeless to suppose that any government, or combination of governments, could provide this vast sum.

M. KRASSIN replied that even pre-war the Russian railways were practically all State-owned. In any case, in the present state of Russia, it was inevitable that they should continue to be financed through the State. If substantial help was not forthcoming—and he gathered from what appeared in the preamble and from what had just been said that it was not available—an agreement was not possible and Russia must look for a slow recovery through her own resources and through such assistance as she could get along the lines which up to the present she had pursued.

SIR L. WORTHINGTON-EVANS demurred to the statement that help was not offered. The preamble contained three British schemes which, under favourable conditions established in Russia by the Russian Government, would produce very large credits over a period of years, by the combination of State guarantee and private enterprise. But a direct government loan was absolutely impossible.

M. KRASSIN enquired, in this case, could the Corporation<sup>3</sup> provide the money. It seemed to him that the £20 million capital, however, was quite insufficient.

SIR L. WORTHINGTON-EVANS replied that there were already twelve countries which had undertaken to join the Corporation and there was little doubt that, granted favourable conditions, the credits which the Corporation could render available would be greatly in excess of the published capital. Further, the Corporation would work with the Trade Facilities Act and the Export Credits Schemes<sup>4</sup> which, he observed, could be extended as was indicated in the preamble.

M. KRASSIN replied that all this was too indefinite for the Russian Government to build upon. They must have quite a definite expectation of credits or their acceptance of the terms was politically impossible. If a definite arrangement with regard to credits was not forthcoming, the purpose of the Conference—that of economic reconstruction—would in any case not be fulfilled. Nothing was really offered them except the vague terms of the preamble.

SIR L. WORTHINGTON-EVANS said that the developments, clearly foreshadowed in the preamble, of the existing schemes would provide such a flow of materials to Russia as M. Krassin desired. The essential thing for Russia was she should get engines, rails, machinery, etc. Under the schemes proposed, the effect would be precisely the same in this respect as if the money to pay for these had been definitely allocated as a loan to the Soviet Government.

M. KRASSIN demurred.

SIR L. WORTHINGTON-EVANS said that if there were no other points, he wished to refer to the statements made by M. Chicherin in an interview given

<sup>3</sup> i.e. the International Corporation set up on February 25, 1922: see No. 34, minutes 10 and 11.

<sup>4</sup> See No. 81, n. 5.

to the *Tribuna*. He could not understand especially the statement of M. Chicherin with reference to the unwillingness of Russia to accept the principle of compensation, having regard to their acceptance of the Cannes Resolution<sup>5</sup> which was quite clear on the point.

M. KRASSIN said the Cannes Resolution involved acceptance, not merely of the claims of foreigners on Russia, but of the counter-claims by the Russian Government on Allied Governments.

SIR L. WORTHINGTON-EVANS retorted that in the discussions and notes of the 15th April to 20th April<sup>6</sup> counter-claims had been wiped out by the arrangements as to war debts. It was impossible to make progress if arrangements tentatively accepted were continually being challenged.

M. KRASSIN replied that the counter-claims had only been dropped subject to conditions particularly as to credits and *de jure* recognition. Recognition was relatively unimportant as compared with credits.

(*Note:* At this stage the Prime Minister entered and Sir L. Worthington-Evans summarised the discussion.)

M. KRASSIN restated his argument as to the impossibility of dealing, e.g. with the famine, by purely commercial methods. Credits could not be found from commercial sources for purposes vital to the life and reconstruction of Russia. If government loans were not available, then the only hope he saw was a loan, on a considerable scale, through the International Corporation with the actual or moral support of the governments. For such a loan the Russian Government would be prepared, he thought, to provide security for interest and repayment by 5% or 10% Customs duty, or a tax on exports, over a period of ten or twenty years.

MR. LLOYD GEORGE said that the main problem of the Soviet Government now was to turn the mind of the capitalist towards Russia. If the three schemes in the preamble started to work, credits would also flow from numerous other capitalist sources and would carry with them the clothes, the railway material, the food and other things that Russia needed. But if Russia insisted that she must have help in the form of a government loan, the situation was hopeless. In any case it would be difficult enough even to carry the proposals set out in the clauses of the memorandum. Anything beyond the clauses of the memorandum was impossible. If an unfavourable answer was returned, he did not propose to argue, but to return at once to London to discuss the matter with his Cabinet in order that he might make a quite definite and final pronouncement immediately afterwards. He had been fighting for Russia now for two or three years, but he had begun to despair of any settlement going through. If the Soviet Government came to the conclusion that they could not meet the views set out in the memorandum, there was no hope for it. England must fall back on her old policy of isolation. She must turn her attention away from Europe and concentrate on the development of Eastern and Colonial trade. Such a decision would, in any case, be extremely popular in many influential quarters in London. The effect, no doubt, on Europe would be disastrous. Except for Italy,

<sup>5</sup> See No. 6, Appendix.

<sup>6</sup> See Nos. 73, 74 and 81.

England was the only Power at Genoa that had fought consistently for peace. He would be very disappointed, but he felt that he had done his best.

M. KRASSIN admitted the efforts made by Mr. Lloyd George, but asked him to picture the difficulties of the Russian Delegation. They were asked to return to Moscow with a load of debt of fifteen hundred millions and merely vague hopes of private credits.

MR. LLOYD GEORGE replied that the scheme did not make the Russians depend merely on private credits. He was prepared to go to Parliament to ask for more money for government guarantees and for a longer period for the operation of the Acts under which it was granted. He would even be prepared to consider recommending Parliament to allocate definitely a certain proportion of such credits to Russia. The Soviet Government, if it persisted in its course, was not merely throwing away an opportunity of getting British Government credit; it would also lose the great advantage of the private credits which the government credits would stimulate. He had ascertained, for example, that the Agricultural Implement Makers would be prepared themselves to find some credits if the government would guarantee a part of the risk. A 20 millions government credit allocated to Russia involved a trade running into 50 or 60 millions at least. Indeed, some authorities put the possibilities very much higher.

M. KRASSIN referred again to the difficulty of dealing with particular cases, which the Export Credits Act and Trade Facilities Act required. Certain enterprises, e.g. factories near the sea and certain particularly profitable lines of railways would get assistance, but factories, just as important to Russia, and railways vitally important to the whole Russian Railway net, would be left derelict.

MR. LLOYD GEORGE said that M. Krassin still did not seem to understand the function of the International Corporation—to organise various individual schemes into a co-ordinated attempt at reconstruction. The Corporation could, for example, take a particular tract of country and set up special syndicates or companies to deal with the provision of rails, the provision of rolling stock; supply of seeds, supply of agricultural machinery; supply of clothes, boots, etc., both to the peasants and to the railwaymen; the supply of machinery to any industrial enterprises in the area. By working all these schemes together, each would benefit by the success of the others.

In any case, if the Genoa Conference broke, there would be no other similar conference. The whole of the burden of securing a settlement had fallen on the Italians and the British. We had had no support from the Russians and very little from anybody else. Nor had we attempted to drive a harsh bargain with the Russians. All our efforts had been directed to bringing the other countries much further than they had ever gone before, and we had certainly produced a scheme which would enable the Russians to reconstruct their country, to secure peace, and at the same time to hold out the hope of a real settlement of European questions. Russia had very little to expect from Germany whose position was, in any case, very bad. (M. Krassin agreed with this.) We however were offering the real help that Russia needed. As



for the debts which Russia was asked to undertake as a preliminary to securing confidence, when private credit would be forthcoming under the terms now proposed they represented only a small percentage of their nominal value.

He urged M. Krassin not to be misled by the foolishness of excited mobs in Moscow and elsewhere. Every government was liable to attack by its extremists, but the world was becoming afraid of revolution. Indeed, the counter-revolutionary spirit was beginning to prevail. If, however, the extreme opinion was to prevail, then England, having tried her utmost to secure peace in Europe, must concentrate her commercial and other efforts elsewhere.

M. KRASSIN deplored the possible results of such a decision. He thought the Russian Delegation would be able to reply in two or three days to the proposals contained in the memorandum of 2 May.

### No. 115

s.G. 28] *Note of a Conversation on the Terrace at the Villa d'Albertis, Genoa, on Saturday, May 6, 1922, at 10.30 a.m.*

PRESENT: *British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P., The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P., Sir Edward Grigg, K.C.V.O., C.M.G., Sir Maurice Hankey, G.C.B.

*Italy*: Signor Schanzer, The Marquis Visconti Venosta, Dr. Giannini.

#### *Treaty of Rapallo*<sup>1</sup>: *Fiume*.<sup>2</sup>

1. THE PRIME MINISTER said he had had a very friendly talk with M. Ninčić,<sup>3</sup> who had regretted that Mr. Lloyd George's proposal of 1920 had not been accepted. This was a proposal he himself had made to M. Nitti,<sup>4</sup> which M. Nitti had been ready to adopt. After M. Pashitch [Pašić] and the Crown Prince had agreed to accept it, M. Trumbitch had declined. As the result of his conversation with M. Ninčić, he had suggested a meeting *à trois*. He understood that this would satisfy Signor Schanzer. In reply to Signor Schanzer, he said that he had gone carefully through the case with M. Ninčić. One of M. Ninčić's difficulties was that the Italians continued to occupy Zara.

SIGNOR SCHANZER said that so far as Zara was concerned it was an Italian city surrounded by Yugoslav territory. It was left in an impossible position, as it had no resources of its own in the matter of water or supplies. Article 2 of the Treaty of Rapallo provided for the conclusion of a special convention in regard to Zara. He could not go before his Parliament and say he had

<sup>1</sup> See No. 110, n. 10.

<sup>2</sup> See *ibid.*, n. 9.

<sup>3</sup> See No. 113.

<sup>4</sup> Former Italian Prime Minister.

evacuated Zara till the convention had been signed. This convention was now ready as the result of negotiations at Genoa, and ought to be signed before the end of the conference.

As regards the settlement at Fiume, he wanted a slight modification. He then showed the frontier on a map of Port Baros. This was a very inconvenient frontier, as it went down the middle of the quay and absolutely excluded Fiume from any part of Port Baros. The modification he wanted was that the line should run down the middle of the port, leaving the western side to Italy.

THE PRIME MINISTER pointed out that the whole port had been given to the Jugoslavs by Count Sforza's letter.

SIGNOR SCHANZER said that this was a secret letter and had never been approved by the Italian Parliament. The treaty said that the frontier would coincide with the *corpus separatum*, which comprised Port Baros. Consequently, Count Sforza's letter was contrary to the letter of the treaty. This created a very difficult situation for him in his Parliament, as Parliament had the terms of the treaty but not the letter. In defence of the proposal that half of Port Baros should be attributed to Fiume, Signor Schanzer said that Fiume was tied to the life of Jugoslavia. Surely, therefore, Jugoslavia could afford to give up half the port of Baros when it controlled all the railways approaching the port. He did not wish to submit the matter to arbitration if he could avoid it, because of the secret letter.

THE PRIME MINISTER asked whether, if a settlement was not reached here, Signor Schanzer would refer the matter to the League of Nations?

SIGNOR SCHANZER said the Treaty of Rapallo provided that if there was no agreement in regard to boundaries the matter would be submitted to the arbitration of the President of the Swiss Republic. As regards Zara, if the Jugoslavs would sign the Zara Convention he would evacuate at once.

THE PRIME MINISTER then asked Signor Schanzer to communicate a memorandum on the whole subject, including the map and the Treaty of Rapallo, in order that his Foreign Office experts might prepare the case for his consideration.

#### *The Genoa Conference: Attitude of the Russians.*

#### 2. THE PRIME MINISTER asked what was the news this morning?

SIGNOR SCHANZER said that on the previous day he had worked very hard, and as the result he had some fairly good news. M. Barrère had come to him on the previous day to tell him officially that France would support Belgium in regard to the memorandum to the Russians.<sup>5</sup> He had replied that that was a very strange action after France had co-operated in the preparation of the memorandum. He had also pointed out that it would be bad to leave Genoa with the Entente obviously disunited. After this, M. Jaspar had called. At first he had been very intransigent. Then Signor Schanzer had pointed out to him that the position he had taken up was contrary to clause 1 of the Cannes resolutions,<sup>6</sup> which gave some acknowledgement to Soviet

<sup>5</sup> Cf. No. 113, n. 2.

<sup>6</sup> See No. 6, Appendix.

institutions. He had added that M. Jaspar had incurred a very great responsibility, and had asked if he could not find a formula. He had asked if Belgium could not accept the system of long leases which had been mentioned? M. Jaspar had replied that he would accept, as he was anxious to avoid wrecking the conference. Signor Schanzer had pointed out to him that if he went home without an agreement Belgian capitalists would get nothing in Russia for ten years. He would therefore go back in a bad position. He had the impression that if the Russians could be induced to accept, the Belgians would withdraw from their position. The question depended, therefore, on the Russians. He was going to see M. Chicherin that day in order to ascertain precisely their position. He was told they wanted Government loans. For Italy that was a very difficult matter. He did not know how it was for Great Britain.

THE PRIME MINISTER said it would be quite out of the question at the present time.

SIGNOR SCHANZER asked whether something might be voted in alleviation of the famine.

THE PRIME MINISTER said he could not carry a loan even for this in the British Parliament.

SIR L. WORTHINGTON-EVANS said that they would not be able to get a penny even for the famine.

THE PRIME MINISTER said that he had discussed this matter with the Lord Chancellor and the Secretary of State for War on the previous evening, and they had both agreed that anything in the nature of a loan was impossible. They were ready to give guarantees to traders. If the Russians really wanted to work this scheme they might eventually get all the money they wanted. It was a matter of arranging with the International Corporation.<sup>7</sup> The Russians might say, 'It is no use restoring railways only in such and such a province; we want seeds, agricultural implements, roads, and so forth'. The corporation would then arrange for a syndicate to be formed to deal with that province. Apparently the Soviet representatives could not accept this. They wanted to have the money in their own hands. It would be impossible for him to carry this in the Cabinet, and even if he succeeded there he could not carry it in Parliament.

SIGNOR SCHANZER said that that was the real argument.

THE PRIME MINISTER said he was not afraid of the attitude of the Belgians. The Russians were the real difficulty. If agreement were reached with the Russians, the Belgians would follow in order to avoid losing their concessions.

SIGNOR SCHANZER said the difficulty with the Russians was the question of a loan.

THE PRIME MINISTER repeated that he could not carry a loan in Parliament, not even for the famine. The United States of America had voted a large sum—10,000,000 dollars, he thought—but this had not been for the Soviet Government, but for some American relief organisation. If he told the Soviet representatives that he could obtain a vote for the famine—and he

<sup>7</sup> See No. 34, minutes 10 and 11.

did not think he could obtain such a vote—it would not be given to the Soviet Government, but to some organisation. There was no confidence yet in the Soviet Government. They would first have to win the confidence of Europe. If, later on, they wanted to get money in London, they would approach the banks. The Governor of the Bank of England would then ask the Government for their views and whether they favoured the loan. If they did, he would pass the word, and that would do a great deal to help the loan. The Government, however, could only give him favourable advice when confidence had been re-established.

SIGNOR SCHANZER said that perhaps he might be allowed to tell that to the Soviet Government, namely, that they could not possibly get a loan now, but if they accepted the memorandum, in a year or so they might be able to place a loan with the benevolent attitude of the British Government.

THE PRIME MINISTER said that was correct, but he must make it clear that no British Government would give a direct loan. Signor Schanzer might tell the Russians that Dr. Benes had had two loans recently from the City of London, which had given him his money. In such cases the usual practice was for the Governor of the Bank to consult the Chancellor of the Exchequer, and if he gave a favourable reply the Governor of the Bank would let it be known, and the money would probably be forthcoming.

SIGNOR SCHANZER said that he might therefore suggest that later on the Russians might hope to get some money?

THE PRIME MINISTER again impressed on Signor Schanzer that the money could not come from the Government. He should tell the Russians that the method he had explained was the way money was raised in London. In addition, he might suggest that a certain proportion, say one-half, of the sums at the disposal of the International Corporation might be allocated to Russia. The same would apply to the Trade Facilities Act,<sup>8</sup> a certain proportion might be allocated. All this was, of course, conditional on a settlement and a pact of peace. Then, if things were going well, they could later on approach the City of London, and the Governor of the Bank would come to the British Government, who, if all was right, would adopt a benevolent attitude.

SIGNOR SCHANZER said that he understood the Russian delegation had other difficulties; for example, there was the first clause of the memorandum, in regard to propaganda, which he proceeded to read.

DR. GIANNINI explained that their objection to this was that it involved suppressing the Third International,<sup>9</sup> which had its headquarters in Moscow. They pointed out that the Third International existed in other countries and had not been suppressed; why, therefore, should they be treated differently?

SIGNOR SCHANZER said that the Roumanians attached importance to this clause, because propaganda and even revolution were being fomented in Russia against Roumania. He then read the last sentence of the first clause,

<sup>8</sup> See No. 81, n. 5.

<sup>9</sup> i.e. the Third International Workingmen's Association ('The Comintern') established in Moscow in March, 1919.

and suggested that this might perhaps be dealt with in the Pact of Non-Aggression.<sup>10</sup>

THE PRIME MINISTER said that there was a branch of the Third International in Great Britain, which the Government had not suppressed. He thought that Russia should be put in the same position as other countries in this respect. He recalled that a similar difficulty had arisen in connection with Mazzini.<sup>11</sup> Lord Palmerston,<sup>12</sup> who rather encouraged movements of this kind, had refused to suppress his activities. Great Britain's policy had always been to give a good deal of liberty to such movements, so long as they did not get out of hand. There were both members and newspapers of the Third International in London. In Paris M. Savinkoff<sup>13</sup> was openly organising counter-revolutionary movements against Russia.

DR. GIANNINI said that the Third International was allowed to exist in Italy, but not to foment revolution against countries on the border. That was the usual practice.

SIGNOR SCHANZER asked whether the last sentence of the first clause might not be remitted to the Pact of Non-Aggression.

THE PRIME MINISTER agreed.

DR. GIANNINI said that the real trouble with the Russians was in the matter of credits.

SIGNOR SCHANZER asked whether, if a general agreement could not be reached with Russia, Mr. Lloyd George was prepared to make a separate agreement?

THE PRIME MINISTER said that he could make an agreement if Italy, Japan and other Powers came in, but not alone. At this point he consulted a Cabinet minute on the subject, which laid down that the British Government must not act in isolation and must have a general consensus of opinion. He could sign the agreement if only France and Belgium stood out, as he had always said distinctly that he would not allow France and her satellites to prevent an agreement. If Roumania came in it would be very useful.

SIGNOR SCHANZER suggested Poland also would be useful.

THE PRIME MINISTER pointed out that Poland was very much in the hands of France.

SIGNOR SCHANZER suggested that Holland and Sweden might join in.

THE PRIME MINISTER thought that Portugal also would join, and Germany and Denmark. All the Great Powers would be in the agreement except France. Switzerland, he thought, would find difficulties.

SIGNOR SCHANZER said it was essential to this that Mr. Lloyd George should remain in Genoa.

THE PRIME MINISTER said he would remain if the Russians meant to do

<sup>10</sup> See No. 95, Appendix.

<sup>11</sup> Giuseppe Mazzini (1805-72), Italian revolutionary and nationalist leader, founder of the 'Young Italy' society.

<sup>12</sup> British Foreign Secretary, 1830-4, 1835-41, 1846-51; Home Secretary, 1852-5; and Prime Minister, 1855-8, 1859-65.

<sup>13</sup> See No. 1, n. 19.

business. He had, however, received a bad impression on the previous day from M. Krassin, who had been very depressed and like a man in despair.

SIGNOR SCHANZER said he was still optimistic, and he would try and persuade the Russians that morning; but, as Mr. Lloyd George was the author of the conference and its great figure, he begged that he would consider with him the best way to close the conference in case of necessity.

THE PRIME MINISTER said that was his difficulty. If the conference closed, Great Britain would not think any more about Russia, and very little about Europe. He would have to go home and consider a new trade policy to meet the difficulty of unemployment. If Europe was to remain as it was, without any peace, it was no use working on as before, and a new outlet would have to be found for trade. He had had a conversation with Professor Cassel,<sup>14</sup> who, in his view, was about the best of the financial experts, and he had found him extremely gloomy about the prospects of next winter. He was not prepared to meet another bad winter, and an immediate effort would be necessary. He would have to devise a new trade policy, with his eyes on India, South America and so forth. Otherwise Great Britain might have her own revolution. At the present moment there were 2,000,000 unemployed, and over £100,000,000 a year was being spent on their relief; yet it only gave 15s. a week, which was not enough to maintain a man. It was no use for M. Chicherin to say that he would give an answer three months later. He could not wait for that.

SIGNOR SCHANZER asked what attitude Mr. Lloyd George would take up if the Russians did not accept.

THE PRIME MINISTER said he would have to repeat what he had said in open session. He would have to say frankly that Great Britain and Italy alone appeared to want peace; that the Russians, French and Belgians all insisted on the acknowledgement of what they called 'principles' and would not have peace. So far as Great Britain was concerned, they would adopt the policy of the United States of America, who had practically cut Europe off their visiting list.

SIGNOR SCHANZER said he hoped he might have a better report to make that afternoon.

THE PRIME MINISTER said he really could not understand the Russians. They would obtain £30,000,000 to start. The Governments began with their guarantee, and the bankers would follow. A big business man had said that this was worth £200,000,000 to the Russians. Great syndicates would be formed which would nominally be termed Russian syndicates, and in two or three years the Soviet Government would be able to raise loans. If they went back with nothing in their hands, it was idle for them to think that things would be better. If the Governments that had been represented at Genoa said that the Soviets would not recognise property, and consequently it was not safe to deal with them, no bank would look at business in Russia, and no

<sup>14</sup> Professor Gustav Cassel, Professor of Political Economy, Stockholm, and a member of the Committee of Economists appointed by the Currency Sub-Commission of the Financial Commission (see No. 109, Appendix).

trader could do business in those circumstances, because traders depend upon the banks. The movement for private business men to go back into Russia would be entirely checked. He asked if Dr. Giannini might report to him the result of Signor Schanzer's conversation with the Russians?

SIGNOR SCHANZER agreed,<sup>15</sup> and instructed Dr. Giannini to do this.

<sup>15</sup> In a memorandum of May 7, 1922 (s.g. 28a), Sir Maurice Hankey recorded the following: 'As the result of his conversation with M. Schanzer on May 6th (s.g. 28) and in consequence of a statement by M. Jung confirming other information to the effect that the Russian Soviet Delegation did not understand the forms of assistance for Russia outlined in the Preamble to the Memorandum of May 2nd, the Prime Minister decided that an explanatory Memorandum should be prepared. Accordingly, in the afternoon, he sent for Mr. Wise and Mr. Jung, and asked them to collaborate with Sir Edward Grigg in the preparation of such a Memorandum. Shortly after, he invited Sir Laming Worthington-Evans to come to the Villa De Albertis and to contribute to the preparation of this Memorandum.

'After working on the Memorandum for some hours, Sir Laming Worthington-Evans, Mr. Wise and M. Jung left the Villa with the draft Memorandum, a copy of which was typewritten while they were at dinner.

'After dinner, at about 10.45 p.m., Sir Laming Worthington-Evans, Sir Maurice Hankey, Sir Sydney Chapman and Mr. Wise arrived at the Villa with the draft Memorandum, which was shown to M. Schanzer who happened to be dining with the Prime Minister. M. Jung was also present.

'M. Schanzer considered it a very good Memorandum and that it might have a very useful effect on the Russians.

'Accordingly, it was arranged that M. Jung should take it out to Santa Margherita on the following day and communicate it to the Russian Soviet Delegation as a Memorandum prepared by British officials to explain the operation of the International Corporation, the Export Credits Scheme and the Trade Facilities Act, in relation to Russia.

'The Memorandum was finally edited by Sir Sydney Chapman and Mr. Wise.' The text ran as follows:

'The following memorandum has been written with the object of explaining how the machinery outlined in the preamble of the memorandum of the 2nd May can be used to secure immediate credits on a large scale for the reconstruction of Russia.

'It is sincerely desired that the assistance to be given to Russia should be substantial and immediate. It is for that reason that it is thought desirable to set out plainly the conditions by which a Government's power of assistance is limited and the practical methods which it is proposed to employ.

'The limiting conditions are these. Money needed by Government or for purposes supported by Government can be raised in two ways only, by taxation or by loan. It will be obvious that the British Government cannot raise the capital required for Russia by imposing fresh burdens upon British taxpayers, already the most heavily burdened in the world. The Government have, therefore, to see that the money is procured from the money market in the City of London. This being so, they are ruled by the ordinary principles of that market, which are the same in all centres of credit throughout the world.

'The first essential is to persuade the London market that the object for which and the security upon which the credits are invited are sound. Political considerations have no weight in this respect. What really matters is to convince the owners of capital that a project is financially sound. City opinion is the final arbiter. It is that opinion which has to be won.

'There is no possibility at the present moment of raising money in London for a direct loan to the Soviet Government. There is no chance of this until the conditions in Russia have been fundamentally improved.

'Consequently, it is necessary to find credits for Russia by other means; and the methods set out in the introduction to the memorandum of the 2nd May are the best calculated to give immediate and substantial results.

Three methods are indicated, namely, the International Corporation, the Trade Facilities Act and the Export Credits Act. When once these methods are in operation confidence in Russia will begin to grow; and when once it has begun to grow, the British Government are convinced that it will grow fast. The time will then come—at a date which will depend entirely upon the success with which the preliminary operations are carried out—when the Soviet Government will have sufficient credit to be able to borrow money in the London market direct.

The difficulty lies in the first steps, and the only way of surmounting that difficulty is to be found in the methods already indicated, that is, by guaranteeing credits to individuals who undertake particular works of reconstruction in Russia upon sound lines. Let this pioneer method once be applied with success, and the whole business world will be quick to respond.

The following example shows how these methods may be applied to the restoration of Russia.

Take, for illustration, the case of a large railway running through a province rich in agriculture and with factories disposed along the line, which terminates in a port heretofore accustomed to handle overseas trade. Suppose that the railway is worn out and the rolling-stock deficient; that the port equipment requires replacement; that the factories are either abandoned or are working but a small proportion of their capacity; and suppose that the agriculturists require seeds and implements, and the population of the province require food and clothing. How would it be possible for the International Corporation to tackle this proposition? It would be useless to restore and re-equip the railway unless it was required for freight and passengers, and unless freight and fares could be paid. It would be necessary, therefore, to envisage a much larger undertaking. The freight would have to be created by re-equipping and restarting the factories, and providing for the supply of agricultural necessities. The port would also have to be dealt with at the same time.

Now, in a case of this kind, it would be perfectly possible for the International Corporation to establish a development company in the province and cause its capital to be subscribed in the various countries through the National Corporations. The Soviet Government would have to give some guarantee for the payment of interest on the capital during the period of development. The guarantees might have to be secured by port dues or local taxes. Representatives of the Soviet Government might be upon the board of the company. The company would apportion out the railway reconstruction to suitable firms capable of undertaking it and similar arrangements might be made with regard to rolling-stock. Arrangements might also be made with the agricultural machinery makers for the provision of agricultural implements and payment by instalment. The port also could be equipped either by a separate company entitled to charge port dues, or through the chief company itself, acting on the advice and with the assistance of those specially qualified in such operations. Thus the company might make a complete plan for equipping the means of transport, including even roads, at the same time as their associates dealt with the means of creating the freight and fares required to support the railway.

The activities of the International Corporation will not necessarily be confined to the working of large industrial enterprises. Commercial schemes are within the scope of the Corporation, and these may be designed to provide, on convenient terms, seeds, clothing, food and the various other goods needed by Russia in connection with the exploitation of concessions or other enterprises started in Russia.

The International Corporation will have a capital of £20,000,000 sterling, which will be contributed by ten National Corporations. The capital of each National Corporation will in general be issued by the National Bank of its country. It will be subscribed by the leading bankers and industrialists in that country. It will in effect have the support of the largest banking institutions in each country. It is, therefore, safe to say that the International Corporation will have behind it the leading financial institutions and the strongest industrial combinations in Europe.

The possibilities of the International Corporation must not be measured by the amount of its capital. The corporation is intended as financial machinery to provide finance to all



THE PRIME MINISTER said he understood the Russian reply would not be forthcoming until Monday.<sup>16</sup>

the enterprises which will come within the scope of the corporation. Its original capital of 20 millions, of which a very large percentage could be definitely pledged for the work of reconstruction in Russia, must be regarded both as a guarantee fund and as a revolving fund for the launching of various enterprises connected with the work of reconstruction. The finance which the corporation may be able to secure as time goes on for the realisation of its programme may be conservatively estimated at 100 million sterling.

'It is recognised that the problem of Russian recovery is so vast and difficult that a plan must be worked out by which capital may be first directed towards the more important and urgent tasks, which will have to be attacked on such lines as to secure the proper co-ordination of transport, agricultural and industrial reconstruction. The corporation, whilst neither claiming nor exercising any monopoly, will be able to encourage and assist first of all those enterprises most likely to help the development of the general plan. Considerable use could be made of the Trade Facilities Act, which is also applicable in such a case as is illustrated. Thus a British firm might be prepared to undertake the restoration of a railway or port provided it could obtain the capital, and the means of obtaining capital could be furnished through the facilities afforded by the Trade Facilities Act.

'Under the Trade Facilities Act the British Government are prepared to guarantee the principal or interest, or both, of loans for capital undertakings to be carried out in any country, provided that the proceeds of such loans will be applied in such a manner as to promote employment in the United Kingdom. Of the £25,000,000 authorised by Parliament for this purpose, approximately £16,000,000 has now been allocated, but the British Government are prepared to recommend Parliament to allocate additional sums. The loans could be for considerable periods.

'Moreover, the export credits scheme could be used in so far as the work undertaken in Russia required exports from Great Britain. The Export Credits Act, the extended application of which the British Government is prepared to recommend to Parliament, enables traders to procure immediate credits necessary for the export of goods from the United Kingdom under terms by which a part of the risk involved is borne by the Government. A British agricultural implement maker, receiving an order for the supply of machinery to a Russian co-operative society, or to any other trader in Russia, would be able immediately to procure the necessary ready cash to enable him to carry on, by discounting the bill with his banker under arrangements by which part of the risk would be borne by himself or his banker and a part by the Government. The credit may be in the nature of a revolving credit, in which case, as each transaction terminates, the credit which has been temporarily locked up becomes available for other imports. Of the £26,000,000 authorised under the scheme less than half has been pledged.

'The British Government are prepared to recommend to Parliament that of the sum authorised or to be authorised under these Acts £15,000,000 should be earmarked for Russia.

'If no agreement with Russia is reached, the effect on the attitude of the business world to Russia will be disastrous. Even a postponement of the consideration of the problem will be interpreted by business men as a definite break, and as a break on the very points which appeal most to business men and the money markets throughout the world. Any break at Genoa, masked as it may be, will increase the distrust and fears of the industrial and commercial community, and prevent the flow into Russia of the goods and merchandise which are so urgently needed. The same will happen as regards investments of fresh capital in Russia, which are absolutely essential for the work of reconstruction. Moreover, it is not unlikely that capital, which has been deterred so long from entering Russia may, through the psychological effect of a failure to come to an understanding at Genoa, be finally diverted to other countries in need of development.'

<sup>16</sup> i.e. May 8, 1922.

*Turkey.*

3. SIGNOR SCHANZER again referred to the note from Lord Curzon<sup>17</sup> on the subject of Turkey.

THE PRIME MINISTER said he hoped that that incident was at an end.

*Oil.*

4. SIGNOR SCHANZER said he was very anxious to get some answer in regard to oil.

SIR MAURICE HANKEY said that Sir Philip Lloyd-Greame had this matter in hand, and was in communication with the Foreign Office.

THE PRIME MINISTER said that an answer should be given to the Italian Government as soon as possible.

*Anglo-Italian Relations.*

5. THE PRIME MINISTER said that one thing which had definitely come out of the Genoa Conference was the establishment of more cordial relations than ever between the British and Italian Governments.

SIGNOR SCHANZER fully agreed in this, and expressed his satisfaction.

*Departure of Soviet Representatives.*

6. THE PRIME MINISTER asked Signor Schanzer if he could ask the Germans to find out whom M. Joffe, the Bolshevik representative, who had left for Berlin the previous evening, was going to see in Berlin. He thought there was little doubt that he was to meet someone there from Moscow. The Germans, he felt sure, would ascertain this. They were doing their utmost to help in the agreement with Russia. Germany had bungled matters by making her separate agreement with Russia, and would be in a terrible state if no agreement were reached, lying as she did between France and Russia.

SIGNOR SCHANZER agreed.

*Hotel Miramare, Genoa, May 6, 1922.*

<sup>17</sup> See No. 110, n. 1.

**No. 116**

s.G. 29 Revise] *Note of a Conversation on the Terrace at the Villa d'Albertis, Genoa, on Saturday, May 6, 1922, at 5 p.m.*

(Revised after comparison with the French Notes.)

PRESENT: *British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P., The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P., Sir Maurice Hankey, G.C.B., Sir Edward Grigg, K.C.V.O., C.M.G.

*France*: M. Barthou, M. Massigli, M. Camerlynck.

M. BARTHO explained that he had not been able to come before because Signor Schanzer had wished to see him. Signor Schanzer had been engaged

all the morning, and it was not until 4 p.m. that he had been able to pay him a visit.

After a pause, M. Barthou said that as Mr. Lloyd George remained silent he supposed he wished him to describe to him the results of his visit to Paris.<sup>1</sup>

<sup>1</sup> In his telegram No. 7 of May 4, Mr. Gregory transmitted the following message from the Prime Minister to Lord Hardinge: 'French Delegation told us privately on Tuesday [May 2] afternoon that the report of the Sov[i]et concessions to British oil interests had created very bad impression in Paris and probably explained Poincaré's action in suspending assent given by Barthou to the Russian Memorandum. I asked Monsieur Barrère to inform his Government immediately that the British Delegation had absolutely no knowledge of any such transaction and that if the rumour had any foundation, transaction referred to had been carried out entirely behind our backs. I have no doubt he telegraphed this on Tuesday evening. A very categorical denial of the truth of the report was issued next morning by Boyle of the firm concerned. I am, therefore, entirely at a loss to understand how the French Cabinet's decision on Wednesday morning can have been based upon a rumour categorically denied by us on Tuesday afternoon or why... French newspapers have been allowed to publish entirely misleading statements which you report this morning [telegram No. 254 to the Foreign Office]. Please make immediate representations to this effect to the French Government and express my great surprise that if the French Government took so serious a view of the report referred to they should have made it the basis of so grave a decision on policy without addressing any formal enquires as to its truth to the British Government.

'It is very important that you should do this as soon as possible before Barthou leaves Paris.

'Please at once communicate a copy of this telegram privately to Barthou.'

To this telegram Lord Hardinge, in his telegram No. 258 of May 5, replied as follows: 'I received your telegram between one and two this morning and by 9 o'clock I had sent copies to Monsieur Poincaré and Monsieur Barthou and I asked the former for an interview from which I have just returned.

'I saw Monsieur Barthou at the Ministry of Foreign Affairs just on the point of starting. He acknowledged having received the copy of your telegram and he agreed with me that it was unfortunate that the President of the Council had not issued a *démenti* that the decision of the French government was based on false news which had been already officially denied at Genoa. He added that it was essential on his return to Genoa, to make some concession, at least in form, to Belgium, in order to secure agreement, and he added that he would do his best to come to terms with you.

'On seeing the President of the Council, he handed to me a letter [not printed] in reply to the personal letter [not printed] I had sent to him enclosing a copy of your telegram. In this letter he assured me that the decision taken by the French government in support of the position of the Belgian government was in no sense based on the news contained in the press which had no official origin in Paris, but that it was taken on grounds of general interest affecting the principle of private property and in sympathy with Belgium.

'Monsieur Poincaré proceeded to give me at some length an exposition of the reasons which had induced him to support the Belgian delegation rather than yourself but while agreeing with the objections raised by Monsieur Jaspar, he expressed his readiness to do all he could to find a formula which would satisfy both you and him. I pointed out to Monsieur Poincaré that I had not come to him to discuss the relative merits of your proposal and Monsieur Jaspar's objections, but that I thought it was very unfortunate that, after the French government had taken a certain decision on Wednesday last, they should have allowed the French press to publish without any *démenti*, the statement that their decision had been based on reports of concessions by the Soviet to British oil interests which they were aware had already been officially denied by you at Genoa. Such an attitude could not but affect friendly relations between the two delegations. Monsieur Poincaré replied that he had seen no reason for issuing a *démenti* although he was quite willing to tell individual journalists that the statement was incorrect. He added with considerable

This he would do. In Paris he had found very considerable emotion. First, the Russo-German treaty<sup>2</sup> had provoked very great irritation and some fears. People were apprehensive that war was possible, and that mobilisation might start. Hardly had this feeling calmed down when the Belgian incident had occurred.<sup>3</sup> He had left Genoa on Tuesday morning,<sup>4</sup> and events here had developed after his departure which had a certain effect on his Government, on Parliament, its commissions, and public opinion. It was evident that the Belgian incident had modified the situation. The Belgian incident had made an impression from two points of view; first, because people were ready to stand by Belgium for the support she had given to the common cause in 1914, and, second, which is the essential reason, because Belgium had raised the principle of respect for private property. As Mr. Lloyd George himself had said, France was a country of little proprietors, and the fact that the principle of private property was in question had apparently made a considerable emotion. The Government had been impressed with this. He himself had attended three meetings of the Cabinet. Even though Parliament was not sitting, it had taken a certain interest which had extended to the Commissions for External Affairs both of the Senate and of the Chamber. These commissions had not passed resolutions, as they did not want to interfere with the Government or embarrass the Genoa Conference; but both had manifested to the Government a desire to support Belgium on the question of property. The chairmen of both these bodies were wise and sedate persons. The president of the Commission of the Chamber was M. Leygues, who was known to Mr. Lloyd George, and had been president of the Council.

bitterness that he, if he took notice of such things, would have ample reason to demand continual démentis from His Majesty's Government to statements attributed to him and the French government which he described as "abominations", which he saw daily in the English press and especially in the "Daily Chronicle" which he alleged to be under your influence. He wished me to take note that he made a formal complaint against the "Daily Chronicle". He was evidently extremely nettled.

'I replied that I was unable to express an opinion about the "Daily Chronicle" as I am not a subscriber to that paper, but in the four or five English papers to which I am a subscriber, I never saw any attack upon France or its President of the Council that went outside the sphere of legitimate criticism while I could honestly say that I seldom open a French paper, of which I always have at least half a dozen on my table, without finding a violent personal attack on the Prime Minister of England based generally on some lying news. I added that I did not wish to continue recriminations on the subject of the press, but that I would not fail to inform you of what he had said to me.

'Finally Monsieur Poincaré told me that there had been considerable pressure upon him to prevent Monsieur Barthou returning to Genoa because he had signed the memorandum, but that he had [not] done so since he did not wish to do anything that might be looked upon as directed against yourself. He added that the action taken by the French government was inspired entirely by their feelings of great sympathy towards their small ally; that to have deserted Belgium would have provoked much hostile criticism in the Chamber and in the country; that the French government agreed to a certain extent with the views of the government of Belgium on the question of private property in Russia but that he was most anxious and would do his best to reconcile your views with those of the French and Belgian governments.' (Cf. *F.R.U.S.*, 1922, vol. ii, pp. 772-6, 786-8.)

<sup>2</sup> See No. 75, n. 1.

<sup>3</sup> See No. 105.

<sup>4</sup> See No. 108.

He was a man of moderate views. The president of the Commission of the Senate was M. Gascon Doumergue, a former Minister for Foreign Affairs. While M. Leygues was a moderate in politics, M. Doumergue was a radical (in fact the Commission of the Senate in its ensemble is of rather radical tendencies), that is to say, of the most advanced party short of the Socialists. It was the more remarkable therefore that both presidents had given the same advice to the president of the council. Hence, he himself had come back with the same strong desire as before for the success of the Genoa Conference, but with a definite mandate that he was to preserve agreement with Belgium,<sup>5</sup> and do his best to keep the Entente Powers together. Mr. Lloyd George was a man who liked to face difficulties. He would tell Mr. Lloyd George, as he had on Tuesday at the moment of his departure,<sup>6</sup> that it would not be impossible to find a formula which would enable Soviet Russia to accept an agreement, but would also enable Belgium and France to come back into line with the Allies, while ensuring the rights of property. In Paris two documents had been put again before his eyes—one French and one British. He would begin with the French, which was a memorandum of M. Poincaré's of the 31st January, 1922,<sup>7</sup> addressed to all the Powers taking part in the Genoa Conference. It derived strength from the fact that before the conference at Genoa it had been submitted to the Chamber, who had given it support. This memorandum contained support to [*sic*] the principle of the rights of property, and stated that those rights must be respected and that compensation must only be paid in cases where restitution was impossible. He would now come to the British document, which was Mr. Lloyd George's speech in the House of Commons on the 3rd April, 1922.<sup>8</sup> He had then posed exactly the same principles as were stated in the French memorandum. Mr. Lloyd George had said that compensation should only be paid in cases where restitution in kind could not be made. Consequently both documents coincided on this point, one being a written and the other a spoken document. Both fell within the terms of the Cannes resolutions.<sup>9</sup> Hence, he asked, why, when both Governments had been in agreement in regard to the Cannes

<sup>5</sup> In a letter of May 5, 1922, M. Poincaré transmitted the following to M. Barthou: '... il nous est, dans l'état actuel des choses, impossible de reprendre nous-mêmes, en dehors de la délégation belge, aucune conversation, même officieuse, avec les représentants des Soviets. De tels entretiens apparaîtraient certainement à la Belgique comme une défection de notre part. Vous savez avec quelle émotion elle avait appris que la délégation française n'avait pas soutenu jusqu'au bout la délégation belge dans l'affaire des biens privés. Si nous avions donné notre adhésion au mémorandum en dehors d'elle, un tort irréparable aurait été porté à nos relations avec elle. Le mal est aujourd'hui écarté et je vous remercie, une fois encore, de vous être associé, sur ce point capital, à la politique du Gouvernement. Mais M. Theunis a exprimé la crainte qu'il ne fût maintenant exercé par nous une pression sur le Gouvernement belge et sur sa délégation pour l'amener à des transactions nuisibles aux intérêts de leur pays. Il va sans dire que nous sommes résolus à ne rien entreprendre de pareil. . . . Nous n'avons donc qu'à nous tenir étroitement unis à la Belgique dans la défense du droit de propriété.'

<sup>6</sup> See No. 106.

<sup>7</sup> Published by the French Government under the date February 1 (see No. 26, n. 2).

<sup>8</sup> See No. 67, n. 5.

<sup>9</sup> See No. 6, Appendix.

resolutions, should a different attitude now be adopted at Genoa? That was the difficulty they had to face. It was necessary that the Conference of Genoa should reach results. If he had not thought this, he would not have come back. Nevertheless, he admitted they were in a great difficulty. He had seen Signor Schanzer, who, as an Italian, had a spirit of combination [*sic*]. Perhaps he might be able to help. There were plenty of good lawyers in Italy, and perhaps it might be possible to bring back the Belgians by some formula. The French Government had said in the clearest possible manner that it was not only the spirit of friendship that had induced it to support the Belgian point of view, but that it was because Belgium upheld a principle common to all civilised nations. The United States of America was not officially represented at Genoa, but looking to the future, it was important that they should be with the other Powers. He gathered that America was grateful to Belgium for her attitude.

MR. LLOYD GEORGE during the translation pressed M. Barthou as to the source of his information.

M. BARTHOU replied that it was based on press information, and perhaps also, though he was less positive on this, on information received by the Quai d'Orsay.

There was also a personal matter to which he wished to allude. He understood that Mr. Lloyd George had expressed surprise at incidents which had occurred after he had left Genoa. He would give the reason, which was very simple. At that time he did not know about them.

MR. LLOYD GEORGE interpolated at this point that he had never thought that M. Barthou was in any way responsible or had any knowledge of the reservation which the French delegation had been instructed to make on the 2nd May.

M. BARTHOU, continuing, explained that the telegram of instructions was either being decyphered at the moment he was in conversation with Mr. Lloyd George<sup>4</sup> before his departure, or, more probably, it had been decyphered afterwards. Anyhow, he had been in the train before it had been decyphered and knew nothing of what was happening at Genoa. That was the declaration he had to make to Mr. Lloyd George.

MR. LLOYD GEORGE said he did not think it really mattered very much. The Soviet representatives would probably reject the clauses that had been sent to them. In that event, the fears of Paris might be converted into jubilation. The complete confusion that would then set in in Europe would satisfy the most avid appetite for trouble.

M. BARTHOU said that with three weeks of pleasant intercourse and association with Mr. Lloyd George behind him, he could assure him that he was making a mistake if he thought that was the feeling of France. Undoubtedly there were people who wanted the conference to fail. Mr. Lloyd George had often said himself that the opinion of Great Britain should not be judged from the newspapers. In the same way the opinion of France should not be judged from those expressed in certain newspapers. At first there might have been some feeling of scepticism in France in regard to

the Genoa Conference, but as the work of the conference had developed ideas had gradually been modified in this respect. It was recognised, though no doubt there were exceptions, that useful work was being done at Genoa, and that it was important that it should succeed. If there were people who thought otherwise, the great mass of French public opinion [had] good sense and realised that the failure of the conference would be a great misfortune to Europe. The whole of France knew the attitude which he had taken here and that he had desired its success. The greater part of the country would have regretted if he had not returned to Genoa; if his return was desired it was because a rupture of the conference was not desired. M. Barthou excused himself for making this personal declaration; it was necessary to clear up the general situation.

MR. LLOYD GEORGE said he had always realised that that was M. Barthou's view in all sincerity. He had said so in M. Barthou's absence and in his own confidential reports to the King and Cabinet.

M. BARTHOU repeated that the fact that Paris had wanted him to return showed that France still desired the success of the conference.

MR. LLOYD GEORGE said that he might have some observations to make on that, but on the whole he would say nothing.

Mr. Lloyd George, speaking at first with some hesitation, then said that if the Bolsheviks were going to refuse, it would be folly to fling a new bomb at them. The Bolsheviks would say, 'If it had not been for that we would have gone on negotiating'. M. Barthou might depend on it that if the conference were to succeed there would be some people who would say that too much had been given. If it failed, there would be people who would say that they had not gone far enough. He was beginning to hear this latter view, and so, he understood, was M. Jaspar. That was the party from which he expected to hear if the conference broke down.

M. BARTHOU said that Signor Schanzer had seen M. Chicherin and he was inclined to believe that the Bolsheviks would refuse.

MR. LLOYD GEORGE said that he and Sir Laming Worthington-Evans had, on the previous day, seen M. Krassin<sup>10</sup> who was more anxious to accept than the others. He had been in a hopeless frame of mind. In these circumstances it would be better not to fling a new formula. If they did, the Bolsheviks would say that they had first gone back on their memorandum of the 15th April<sup>11</sup> and afterwards on that of the 2nd May, and that it was impossible to do business in these circumstances.

M. BARTHOU said that if the Soviet Russians did refuse it would be on a document containing considerable concessions.

MR. LLOYD GEORGE said in that event it would be better that they should refuse what had been offered than on the Belgian proposal.

M. BARTHOU asked if Mr. Lloyd George could foresee the consequences of a refusal.

MR. LLOYD GEORGE said indeed he could. He thought it would be very serious.

<sup>10</sup> See No. 114.

<sup>11</sup> See No. 74, Appendix.

M. BARTHOU asked if in the event of the Soviets refusing they would not have to take the matter up again soon and agree to what they had now rejected.

MR. LLOYD GEORGE said that the present delegation would certainly accept if they could. There had, however, been demonstrations on the 1st May in Moscow and, indeed, all over Russia, and the reports of these demonstrations had frightened the Russian delegation at Genoa.<sup>12</sup> M. Krassin had told him this and so had the Germans.

M. BARTHOU persisted in his thought that perhaps the situation in Russia would become aggravated so rapidly that in some months the Soviets who have need of money might be under the necessity of accepting the conditions which are offered them or of disappearing. Events might prove superior to the human will.

MR. LLOYD GEORGE said that the Russo-German treaty had given them great hope. It was not money that they needed so much as goods and skill, and these they could obtain from Germany. He had read in the Russian wireless messages that a German aeroplane had been sent to Moscow and that a new aeroplane factory was being established there by the Germans. That, no doubt, gave them great hope. It was impossible to prevent individual American, German, British, French or Belgian subjects filtering in to help the Russians.

M. BARTHOU said he had nothing to reply except that he felt the sadness of Mr. Lloyd George's attitude more than if he had been angry.

MR. LLOYD GEORGE said that he regarded the present situation with sadness. It was impossible for him to accept the Belgian alternative, which, in his view, went back on the Cannes resolution, which provided for restitution or compensation. This was the principle in his own country, as well as in France, the United States of America, and other countries, viz., that Governments had the right to take any property on payment of compensation. That was the Cannes resolution. Belgium had been voted down before M. Barthou left Genoa. It was impossible to go back on that. If the Soviet refused it was useless to aggravate disagreement between the Allies on a question which could have no practical result. There would always be time for a break between the Allies if the Soviet accepted.

M. BARTHOU said that the position was one that he well understood, and against which he could not insist.

MR. LLOYD GEORGE said that it was a difficulty which could not be bridged by a mere formula—hence he felt it was hopeless to discuss it.

<sup>12</sup> In his telegram No. 160 of May 6 to Lord Curzon, Mr. Gregory reported: 'Such information as we have of attitude of Soviet delegation indicates that they are clearly frightened of their supporters in Moscow. They have sent Monsieur Joffe to Berlin where it is conjectured he will meet someone from Moscow. We do not anticipate that they can reply to memorandum until they hear from Berlin; our impression is that they will try and give an answer which will prolong negotiations.'

'Demonstrations of 1st May urging them to maintain stiff attitude have created an unfavourable atmosphere for the time being. All this is in realm of conjecture and nothing can be said for certain until we receive their reply. Main difficulty they have in accepting memorandum is rather stiff clause 7 relating to property.'



M. BARTHOU said that he quite understood. He had come spontaneously and in a spirit of loyalty to explain what the position was, but he agreed it was useless to discuss the matter further. He had merely wished to report what had happened in his conversations in Paris. He would be failing in his general attitude of loyalty if he had not done so.

MR. LLOYD GEORGE said he quite agreed, and if he himself had gone to London he would have done the same. If it were conceivable that the Bolsheviks might accept the memorandum, then there would be a new situation which would have to be discussed.

M. BARTHOU thought that in these conditions it was no use discussing any other question as their solution depended on the result of the Russian question. The pact of non-aggression was only possible if the Russians signed it. But their signature could only be asked for if other questions were settled.

MR. LLOYD GEORGE agreed. It would merely be to raise a discussion on points which might provoke a useless controversy. There was no doubt that if this conference broke down Great Britain and France would have to reconsider the whole European situation. A very big problem would arise on which it was necessary to reflect carefully.

M. BARTHOU affirmed with full loyalty that the French Government would lend themselves to the reconsideration of a situation which he realised to be difficult.

MR. LLOYD GEORGE said there was a public opinion in Great Britain as well as elsewhere. He did not know how this would regard the present situation. It would depend upon whom public opinion blamed—whether it was Russia or other Powers. There was a very difficult public opinion to deal with in England.

M. BARTHOU said that in the present situation if the Soviet delegation refused the clauses which had been submitted to them the responsibility would be theirs. Undoubtedly it would be rash for a Frenchman to speak of English opinion, but it seemed to M. Barthou that Mr. Lloyd George would be in a position to show his country that it was not on the side of an Ally that he had met with intransigence.<sup>13</sup>

<sup>13</sup> On May 10, in telegram No. 92, the Foreign Office transmitted the following message from Mr. Chamberlain to the Prime Minister: 'It may be useful to you to have an appreciation of situation here.

'Negotiations with Soviet government are not popular with our supporters who would not be sorry if Russian reply caused a breakdown, but I think that you are on safe ground economically if you continue to carry full assent of Urquhart's association [see No. 74, n. 14] especially if he can also carry President Associated Chambers of Commerce.

'Danger of situation at this moment appears to me to lie in political rather than economic sphere. Poincaré's policy diverges from ours on two cardinal points:—

1. Clause 7 of Russian conditions.
2. Refusal to discuss before 31st May what allied policy should be in event of Germany's default.

'If I am right in thinking that Poincaré opposes Clause 7, I think that public opinion here would be very perturbed by any serious difference with France arising out of first point on which many people are inclined to sympathise with French point of view and no one would understand a quarrel with France for the sake of Russia.

'On the other hand refusal of Poincaré to have meeting of signatories of Versailles Treaty

MR. LLOYD GEORGE said the position was not so clear as that. The Soviets would not give a plain refusal; they would send a very clever answer which would raise up the questions and might on certain points go very far to meet the desires of the Allies. It would also probably offer more compensation to foreign proprietors than the Czechoslovakian<sup>14</sup> or the Roumanian Governments<sup>14</sup> had done to those whose property they had nationalised. It would not be so easy to persuade Great Britain that it had been right to break a European conference which had been summoned to re-establish peace on that issue. The fact was that the French attitude differed essentially from the British. France was a nation of small proprietors while Great Britain was an industrial country. The French had been thinking of their property and the British of their trade and business. It so happened that a great European conference had turned upon that issue. There was no use in concealing that this might prove a turning-point in Anglo-French relations. It was the very essence of the difficulty, and neither M. Barthou nor he himself could help it.

M. BARTHOU said he would have wished not to hear such words. He had the right to say, since he represented France here, that the attitude of his country had not been dictated by the interests of the 1,200,000 Russian bondholders, but by the desire to bring Europe back to good health. It was not a question here of national egoism. For his part, in spite of the grave words used by Mr. Lloyd George, he would not allow himself to fall into pessimism; he kept his confidence in the future of the relation of the two countries.

MR. LLOYD GEORGE said that M. Barthou would have to go back to his 1,200,000 bondholders and tell them he had obtained nothing. He himself would have to go back to 2,000,000 unemployed and say that he had got nothing. That was one aspect of the failure of the Genoa Conference, but by no means the only one. He had been talking to Professor Cassel,<sup>15</sup> in his view the most eminent economist in Europe. He had said that if the Genoa Conference succeeded the psychological effect would be so great that there would be an entirely new aspect to trade and commerce, but that if it failed the next winter would be the worst known. The workmen would not blame the Russians; he could see that from the newspapers. That would promote bad feeling, and that was why he was so sad about the prospects.

M. BARTHOU said he understood Mr. Lloyd George's sadness and shared it. He realised that the check to the Genoa Conference would be a great misfortune to Europe.

anywhere before 31st May will I think be felt here as entirely unreasonable and I believe that you would be supported in strong remonstrances on this point if you think them desirable. Difference of opinion between allies as to Russia is easily comprehensible but refusal of one ally to concert with others in advance what their common policy should be in a grave and apparently certain eventuality seems to me wholly unjustifiable and very dangerous to our future relations.

'I have shown this telegram to Lord Chancellor and Horne who authorise me to say that they agree.'

<sup>14</sup> See No. 97, nn. 4 and 5.

<sup>15</sup> See No. 115, n. 14.

MR. LLOYD GEORGE said there was another matter to which he must call attention, as it would arise if the conference failed. The French announcement that they would stand by Belgium had evidently been semi-official, for M. Barthou had given the same reasons as had been given in the French newspapers, namely, that France was influenced by the fact that Belgium stood by her in 1914. At Genoa the British delegation had accepted every French amendment in regard to clause 7,<sup>16</sup> even though they had not liked them. They had agreed in the interests of good relations with their Allies. The moment, however, that the Belgians took a definite line, the French delegation had stood, not by the British delegation, but by the Belgians. The reason they assigned for this was that the Belgians had stood by them in 1914. Had not Great Britain stood by them, too? Belgium had lost about 20,000 killed in the war, and the British Empire about 900,000. Belgium had no war debt, whereas Great Britain had a huge war debt. Belgium had lost the same number of killed as New Zealand, a country with a population of one-seventh that of Belgium. She had lost about one-third of what Australia had lost, although the population of Australia was only half. In 1918 they had tried to persuade the Belgium Government to allow the Belgian army to serve under his command [*sic*]. The British army had been placed under Marshal Foch and so had the American army. He himself had been present when the attempt had been made to try and persuade the Belgians to accept Marshal Foch's command and they had refused absolutely.<sup>17</sup> Now, they were told that the British, who had adopted all the French amendments at Genoa, and who had stood by France so faithfully in the war, were to be put aside in favour of Belgium because Belgium had remained faithful in the war. It was difficult to imagine the hurt that this would give to Great Britain, when she remembered how small the sacrifice of Belgium was as compared with that of even the smallest of her Dominions; when she remembered that the Dominions—although they had no quarrel with Germany—had come to France's aid; and when she remembered that the Dominions, with half the population of Belgium, had lost three times as many men. Yet this had been announced in the whole of the French press, and, of course, in the British press as well.

M. BARTHOU said that it would, of course, be the maddest ingratitude of France not to recognise the effort that Great Britain had made. There was not a single Frenchman who did not pay homage to this. He himself had said so in the Chamber on an occasion when he had spoken against Mr. Lloyd George for his attitude on a certain question. His references to the British aid had been applauded unanimously, especially when he had said that Great Britain had carried out a veritable revolution in fulfilment of her

<sup>16</sup> See Nos. 104, 105, and 108.

<sup>17</sup> The reference is uncertain: no Belgian representative was present at the conference between British, French and American representatives at Beauvais, April 3, 1918, where Marshal Foch was made Supreme Commander of the Allied armies on the Western Front; on April 17, 1918, King Albert of Belgium refused to take up M. Poincaré's suggestion that the Belgian army should be placed under Marshal Foch's command (see R. Poincaré, *Au Service De La France*, vol. X (Paris, 1933), pp. 127-9).

duties by adopting compulsory military service, and by agreeing to the single command under a non-British general. He knew what the British Empire had lost and what sacrifices she had made. There was not a Frenchman who did not pay his tribute to this example of solidarity. It was, however, a mistake to take the newspapers too seriously. The French Government had not to choose and did not choose between Belgium and Great Britain. Just before, Mr. Lloyd George had referred to an official communication. M. Barthou thought therefore that he ought to recall that in his reply which he had made to Lord Hardinge, who had communicated to him a telegram from Mr. Lloyd George, M. Poincaré had said that there were reasons of general interest which had determined the choice of France.<sup>18</sup> Without doubt there was also in his letter a reference to French sympathy towards Belgium, but that excluded neither friendship nor gratitude to Great Britain. Once more the question had not been raised of a choice to be made between Belgium and Great Britain; no one in France would admit that it be put in this way.

MR. LLOYD GEORGE said that, so far as the principle of private property was concerned, the British delegation had accepted the same draft which had been adopted by the whole of the French delegation—by M. Fromageot, a very eminent jurist; by M. Seydoux, a distinguished financial expert; and by M. Cattier, a distinguished Belgian jurist and banker. What had really decided the French attitude was not the question of rights of property, but sympathy for Belgium. There had been no sympathy expressed for a nation with 2,000,000 unemployed, which, as Lord Derby<sup>19</sup> had mentioned in a speech in Paris, was the British devastated area. Even in M. Poincaré's last message there was no sympathy shown. Great Britain had not asked France to make the choice; it was France that had made her own choice. Undoubtedly British public opinion would take note of this.

M. BARTHOU said he had presided over a lunch where Lord Derby had said the words which Mr. Lloyd George had recalled, and he had received unanimous approbation when he had declared that France must take into serious consideration England's unemployment. He could not allow Mr. Lloyd George to say the French Government had chosen between Belgium and England. The question, he must repeat, must not be put thus. He entreated Mr. Lloyd George not to impute to his country sentiments which were not theirs. He did not know what might be the events of the following day, but, whatever might happen, Mr. Lloyd George would see that he had spoken the truth and that he had well expressed the true sentiments of France. Since Mr. Lloyd George had spoken of the memorandum sent to Russia, it was a loyal duty to recognise that the British experts had, in fact, made a great effort of conciliation; the French had done likewise, and the two points of view had been reconciled.

MR. LLOYD GEORGE said that the British delegation had made every possible concession. After the departure of M. Barthou they had accepted

<sup>18</sup> This was reported by Lord Hardinge in his telegram No. 258 of May 5, 1922 (see n. 1).

<sup>19</sup> Former British Ambassador in Paris.

the Seydoux amendment because they wanted to work with France. They had made every concession in order to work with France.

M. BARTHOU said that he understood that the Seydoux amendment had not been accepted as it stood, and that there had been a supplement which had modified its original bearing.

MR. LLOYD GEORGE said there was no doubt, nevertheless, that the British delegation had here made an important concession. They had made others. He was not sure that it was not these concessions that would render impossible an agreement with Russia.

M. BARTHOU said that, as Mr. Lloyd George had remarked, all that was past and done with. Perhaps it was no use crying over spilt milk. The only thing to be done was to await the Russian reply.

MR. LLOYD GEORGE agreed. He thought it was useless to try and seek a new formula now. It was necessary to await the reply of Soviet Russia. He heard that seven members of the Russian delegation had on the previous evening gone to Berlin where he supposed that someone would meet them. Would it not be possible to find out who they were going to meet?

M. BARTHOU said that it might be worth while telegraphing to Berlin.

MR. LLOYD GEORGE said that the French had more officers in Berlin than the British. No doubt the Germans could ascertain something if they were willing.

M. BARTHOU said that an accomplice rarely turned King's evidence. The Soviet had a good police.

MR. LLOYD GEORGE said that in their own country this was the case, but they did not seem very formidable abroad.

M. BARTHOU said he had anticipated that they would have been more dangerous abroad than they were.

MR. LLOYD GEORGE thought there had been a good deal of exaggeration about this. At home they had the old Czarist police, who were very effective.

M. BARTHOU said this was not the first time this had happened in history. Fouchet, who had sentenced Louis XVI to death, had afterwards been Minister of Police to Louis XVIII.

MR. LLOYD GEORGE said that this applied in other branches of the Russian service. He understood that some of the officers of the old régime had now become the best officers of the Soviet—General Yudenitch,<sup>20</sup> for example.

M. BARTHOU added General Bruissiloff.<sup>21</sup>

#### *Germany: Reparations and Sanctions. Proposed Conversations.*

MR. LLOYD GEORGE remarked that M. Barthou had not mentioned the proposal that there should be conversations between the Powers signatory to the Treaty of Versailles in regard to the German position.<sup>22</sup> He saw from

<sup>20</sup> Former Commander-in-Chief of the White Russian North Western Army.

<sup>21</sup> Former Commander-in-Chief of the Russian armies. His offer of services to the Red Army was accepted in May 1920.

<sup>22</sup> See No. 96.

the newspapers that M. Barthou was said to have conveyed the suggestion that there should be a meeting of the Supreme Council. He himself had never asked for that, but only for an exchange of views between the States signatory to the Treaty of Versailles.

M. BARTHOU said that this was quite exact. He had corrected the inexactitude at the Ministry for Foreign Affairs, and had explained at the three meetings of the French Cabinet that Mr. Lloyd George's proposal had merely been an exchange of views between the States signatory to the Treaty of Versailles. Hence Mr. Lloyd George was right. He thought the words 'Supreme Council' had been used because it was a convenient phrase, but the use of the term had been quite inaccurate, and he had been careful to correct it. Another inexactitude had been that some of the newspapers had thought that when he spoke of the signatories to the Treaty of Versailles Mr. Lloyd George included the Germans, and the German delegation at Genoa had thought that. He had corrected this also.

MR. LLOYD GEORGE asked if the French Government refused to hold these conversations.

M. BARTHOU said that M. Barrère had already stated the point of view of the French Government, viz., that it did not refuse, but it did not think there should be any conversations before the 31st May.

MR. LLOYD GEORGE asked what was the objection.

M. BARTHOU said he could only state the point of view of his Government.

MR. LLOYD GEORGE asked if he was right in taking the answer to be that the French Government would not take part in any conversations on this subject at Genoa or elsewhere before the 31st May.

M. BARTHOU said that was so.

MR. LLOYD GEORGE said he realised the situation.

M. BARTHOU said he was only a postman in this matter.

On rising to leave, M. Barthou spoke of the kindly personal relations he had throughout had with Mr. Lloyd George, which Mr. Lloyd George reciprocated.

## No. 117

s.G. 29A] *Memorandum of a Conversation between the Prime Minister and the American Ambassador in Rome, held at Genoa on Sunday, May 7, 1922.*

The Prime Minister lunched with the American Ambassador and his wife at the Righi, and communicated broadly the results of his conversation to Sir Maurice Hankey. He found that the American Ambassador was not satisfied in regard to clause 7 of the memorandum to the Russians,<sup>1</sup> which he considered did not go far enough in preserving the rights of property. The American Ambassador, in the course of conversation, made the suggestion to the Prime Minister that the best plan would be to adjourn the Genoa Conference and then to send a commission to Russia to report on the con-

<sup>1</sup> See No. 108, Annex II.

dition of that country and as to the extent to which they could be relied on to carry out their engagements, and as to whether the other States could enter into relations with them. The Prime Minister asked whether this commission would be asked to report as to the conditions on which Russia could be recognised. The American Ambassador, after some hesitation, said he supposed it would. The Prime Minister then remarked that the decision could only be taken by the Governments, and a joint decision could only be taken by a conference. To this the American Ambassador agreed. The Prime Minister then asked who would summon that conference. Did the American Ambassador suppose that Italy would summon another conference? The American Ambassador agreed that Italy would not. He was then asked if he thought France was likely to summon it, which the Ambassador agreed was not the case. The Prime Minister said that Great Britain certainly would not summon it. He asked if the United States might do so. The Ambassador then said that he thought possibly the United States Government might be willing to summon such a conference.<sup>2</sup>

<sup>2</sup> Cf. Mr. Child's account, *F.R.U.S.*, 1922, vol. ii, pp. 789-90.

## No. 118

s.G. 30] *Note of a Conversation at the Villa d'Albertis, Genoa, on Sunday, May 7, 1922, at 5 p.m.*

PRESENT: *British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P., Sir Maurice Hankey, G.C.B., Sir Edward Grigg, K.C.V.O., C.M.G.  
*Germany*: Dr. Wirth (the Imperial Chancellor), Herr Dufour.

### *M. Joffe's Visit to Berlin.*

The conversation began by the PRIME MINISTER asking if Dr. Wirth had any information as to M. Joffe's visit to Berlin.<sup>1</sup>

DR. WIRTH said that the Marquis Visconti Venosta had visited him on the previous day and asked the same question.

THE PRIME MINISTER said the Marquis Visconti Venosta had gone at his request.

DR. WIRTH said that his information was to the effect that M. Joffe would arrive in Berlin early this morning, and would be leaving at mid-day Tuesday. He had no information as to anyone he was to see in Berlin. He understood, however, that M. Joffe's special carriage had been detained in Berlin and would be attached to a train proceeding to Riga on Tuesday. In fact, he was *en route* to Moscow. Dr. Wirth then said that he had had a long conversation with M. Chicherin on Friday last, and he thought he had made him realise fairly well what the position was.

<sup>1</sup> See No. 116, n. 12.

THE PRIME MINISTER remarked that the Russian delegation thought that there was more actual money available than was the case.

DR. WIRTH said that the Russians required more detailed explanations on certain points.

THE PRIME MINISTER said that, unfortunately, the Russians had no good experts. M. Krassin was a good business man, but he was not an expert. None of the other nations would deal with a document like the memorandum of the 2nd May<sup>2</sup> without consulting their experts. He thought if the Russians would put themselves in German hands and utilise the services of the German experts, it would be possible to do business with them. The German delegation had many competent experts. The Russians, however, were peculiar people, and he did not know if they would be willing to take outside advice. There was really far more money in the scheme as presented in the memorandum than the Russians seemed to think.

DR. WIRTH said that of course the German delegation had no official position *vis-à-vis* the Russians, but they were doing their best to act as intermediaries; not formally, but through experts. Could Mr. Lloyd George tell him anything of his discussions with M. Krassin?<sup>3</sup>

THE PRIME MINISTER said that as far as he could see, M. Krassin did not realise how much money there was in the scheme sketched out in the memorandum. Take the International Corporation,<sup>4</sup> for example: the Bank of England could send for various financial houses and obtain their co-operation. It was true that the nominal sum subscribed would be only £4,000,000 or £5,000,000, but that was merely the basis of the scheme. The financial houses would then take up subsidiary enterprises. They would finance the various schemes, arranging for them to be carried out sometimes by British firms, and in cases where they were more suitable, by German or other foreign firms. In the case of seeds, for example, they might find it best to buy in Roumania. Thus, it was not a matter merely of £5,000,000, but ultimately of perhaps £200,000,000.

HERR DUFOUR said there was nothing very definite in the memorandum.

THE PRIME MINISTER agreed that there was no guarantee. The whole thing depended on a successful start. If it worked, the finance would be obtained. Without it, Russia would obtain no finance at all. What the Soviet delegation was demanding was money down.

HERR DUFOUR said that the memorandum contained nothing very definite. If it did, the Russians would find it easier to accept.

THE PRIME MINISTER said that that could be discussed. It was impossible to put in the ultimate figures at this stage. Once the various financial houses had entered the scheme they would virtually be pledged to make it a success.

DR. WIRTH said that one ought to open up a hope to the Russians. It ought to be said that they would be assisted in procuring such-and-such a service, and that if it were a success more would follow.

<sup>2</sup> See No. 108, Annex II.

<sup>3</sup> See No. 114.

<sup>4</sup> See No. 34, minutes 10 and 11.



THE PRIME MINISTER said that that was the case. This was virtually a promoting syndicate.

HERR DUFOUR repeated that it was all rather vague.

THE PRIME MINISTER agreed that it was vague in the preamble. If, however, the Russians would come and discuss it, they could be given a very clear idea of what was intended. He had discussed the matter with the Governor of the Bank, and could tell them exactly what they were likely to get in favourable circumstances.

DR. WIRTH said that from his own discussions with the Russians, and perhaps more from those of his experts, he gathered that every member of the Soviet delegation had a different idea of what the memorandum meant.

THE PRIME MINISTER remarked that M. Chicherin had not been to see him.

HERR DUFOUR said the reason for that was that Mr. Wise had been seeing M. Chicherin at the very moment when he had been trying to arrange for M. Chicherin to come to the Villa d'Albertis.

THE PRIME MINISTER said it was essential to have peace in Europe. A disturbed state of Europe did not suit commercial people like the British. The Germans certainly required peace. To that extent their interests and the British interests were the same.

DR. WIRTH fully agreed.

THE PRIME MINISTER said that for this reason he wanted a settlement with Russia and with Germany, namely, for the purpose of getting a stable Europe. If he came to the conclusion that it was impossible, well, the British nation was a maritime people whose life was on the ocean, and they would have to begin to think of other countries. Undoubtedly that was the traditional policy of Great Britain. It would be necessary for them to pull out of Europe until Europe settled down. But he would rather see Europe settle down. That was why he was trying to get peace there. He thought it was easier to settle the German question if a pact of peace was concluded. It would then be possible to say, 'Do not make trouble with Germany, because it will upset European peace'. The German situation would be easier to handle if a general pact of peace were obtained.

HERR DUFOUR asked if Mr. Lloyd George was referring to sanctions.

THE PRIME MINISTER said that generally military operations would be less likely to happen if there were a pact of peace.

DR. WIRTH asked what form of pact of peace he contemplated.

THE PRIME MINISTER said the form did not matter much. What was required was some document which would say that there was to be peace. If everyone went about saying, 'We have made peace in Europe,' it would be difficult for any country to begin by marching into Germany.

DR. WIRTH said that some sort of an agreement was necessary for this.

THE PRIME MINISTER agreed. There would have to be a signed agreement. This, however, must be preceded by an agreement with Russia. To that extent he agreed with M. Barthou.

DR. WIRTH asked if it was contemplated to settle the western frontiers of Russia.

THE PRIME MINISTER agreed that this should be undertaken in connection with the pact of non-aggression.

DR. WIRTH asked whether the boundary between Lithuania and Poland would be settled.

THE PRIME MINISTER said that Russia was not particularly interested there.

DR. WIRTH agreed, since Poland had an arm stretching between the Lithuanian frontier and Russia.

THE PRIME MINISTER said it would be desirable to try and settle that question too. If the Genoa Conference could end with the establishment of peace, then the German question might also be tackled. M. Poincaré said that he was unwilling to settle that at Genoa.<sup>5</sup>

DR. WIRTH asked if the idea was to deal with the German question in a general conference or at the Supreme Council.

MR. LLOYD GEORGE said that M. Poincaré would not discuss the question before the 31st May and nobody could compel him to come to Genoa. After the 31st May there would have to be some sort of discussion. It would make all the difference to the temper of that conference if peace were established in Europe. In that event there would be a disposition to treat the German question in a better spirit.

DR. WIRTH asked if this could not happen before the 31st May.

MR. LLOYD GEORGE said that France declined to discuss before then.

DR. WIRTH said that if the German Government did not hear anything which would produce hope that the question would be dealt with leniently, undoubtedly the mark would fall to a disastrous extent. He had heard to-day that the French were carrying out a serious propaganda in the Rhineland in favour of autonomy and were also making military preparations.

MR. LLOYD GEORGE said that they could not undertake any military action against Germany without preliminary discussion. They could not on the 31st May march into the Ruhr or Frankfurt without first letting their Allies know.

DR. WIRTH said that the French were making military preparations. That was the atmosphere in which Germany lived. Every day they heard of more preparations. After the end of the present month they would hear nothing of any favourable atmosphere. The mark continued to fall and prices rose, while wages did not rise quick enough to compensate this.

MR. LLOYD GEORGE said he understood discussions were going on in Paris with a view to a loan to Germany.

DR. WIRTH said they were to begin on the 23rd May.

MR. LLOYD GEORGE said he had two points to make on this; first, he would advise Dr. Wirth to give France no excuse for taking action. France had not quite made up its mind and the question was still in the balance.

DR. WIRTH said this was the very reason why he was giving a most conciliatory reply to the last note from the Reparations Commission.<sup>6</sup> He was not referring to the recent note<sup>7</sup> on the Russo-German treaty.<sup>8</sup> On that

<sup>5</sup> See No. 34.

<sup>6</sup> See No. 111, Appendix.

<sup>7</sup> Presumably the note drawn up by the Sub-Commission of the First Commission on April 23 (see No. 88, Annex II).

<sup>8</sup> See No. 75, n. 1.

subject the Reparations Commission note was sharp, but he thought it did not present a very great difficulty.

MR. LLOYD GEORGE said that he realised it was difficult to answer these sharp notes without giving something which France might take advantage of. Nevertheless, he would urge Dr. Wirth to send a conciliatory answer on these two points.

DR. WIRTH agreed.

MR. LLOYD GEORGE then referred to the note regarding the Russo-German treaty. He hoped that Dr. Wirth would give a conciliatory reply to this. The French public opinion got very excited over these questions, but rapidly calmed down again. A conciliatory answer would be a great help.

HERR DUFOUR said he believed that both replies would be very conciliatory.

DR. WIRTH said that the British and American representatives on the commission on the proposed loan could do a great deal to pacify matters.

MR. LLOYD GEORGE asked who was the British representative.

SIR MAURICE HANKEY said it was Sir Robert Kindersley.

MR. LLOYD GEORGE said that Sir Robert Kindersley was a very favourable representative from the German point of view as he was most anxious for peace.

HERR DUFOUR suggested that in the sub-committee's report all references to armed sanctions should be omitted.

MR. LLOYD GEORGE agreed. There was no chance of a loan so long as armed sanctions were being spoken of. Nobody knew this better than Sir Robert Kindersley.

DR. WIRTH agreed.

MR. LLOYD GEORGE said that no money market in the world would advance money if armies were going to march. After the 31st May there would be some sort of a discussion.

DR. WIRTH asked if it would be international.

MR. LLOYD GEORGE said it would be between the principal Allies who had signed the Treaty of Versailles. He would not call it the Supreme Council, because M. Poincaré did not like the term. It was very important not to get French public opinion excited at that moment. Dr. Wirth must know how difficult it was to hold French opinion.

DR. WIRTH said that he noted day by day that the French were propagating a feeling of fear in the German population. This excited the people and made it difficult to keep them quiet.

MR. LLOYD GEORGE agreed, but urged the great importance of making the attempt.

DR. WIRTH said that on the 15th May Germany had to pay 50 millions in gold marks. That they would pay. It was most difficult for them because the mark was going down.

MR. LLOYD GEORGE said that payment would have a very good effect. He had talked rather plainly on the previous day to M. Barthou<sup>9</sup> and he

<sup>9</sup> See No. 116.

thought that Signor Schanzer had done the same. Probably Great Britain, Italy, and the United States of America would be hostile to any action against Germany if she paid what was due on the 15th May. Moreover, if the German answers were conciliatory, it would make it easier to handle the situation.

DR. WIRTH said that it rested in the hands of the Reparations Commission whether action were taken or not. It depended on whether the Reparations Commission took a violent or conciliatory attitude.

MR. LLOYD GEORGE said that Sir John Bradbury, the British member, was not hostile to Germany, nor, he believed, was Signor Salvago Raggi.

HERR DUFOUR remarked that the proposal for a tax of 60 millions of paper marks had been Sir John Bradbury's suggestion and, he thought, had been based on theoretical principles.

DR. WIRTH asked whether the invitations to the Supreme Council would be sent out before the 31st May.

MR. LLOYD GEORGE replied that they would not. M. Poincaré wanted to throw the responsibility on to the Reparations Commission. He was not fond of taking responsibility himself. If the German Government was to meet the Reparations Commission, he suggested they should make the very most of it. M. Poincaré would take anything advised by the Reparations Commission. He suggested, therefore, that the German Government should make the best case they could with the Reparations Commission.

DR. WIRTH remarked that it depended not only on Germany, but upon the individual members of the commission.

MR. LLOYD GEORGE agreed in this. He thought it might be useful if Sir John Bradbury went to London.

DR. WIRTH asked if it would not be possible, either before or after the 31st May, for an international commission to study the German question and put up a memorandum of what it found. This method had produced good results at Genoa. A man such as Professor Cassel might be attached to it.

MR. LLOYD GEORGE said that Professor Cassel was a very good economist.

HERR DUFOUR said that what the Chancellor suggested was an independent expert commission.

MR. LLOYD GEORGE said that M. Poincaré would never accept this. He was essentially a man of documents; he liked to act exactly according to the treaty. That was why he urged that the Germans should make the best case they could before the Reparations Commission. He asked where Dr. Bergmann<sup>10</sup> was.

DR. WIRTH said he was in Berlin to-day, but would return to Paris to-morrow.

MR. LLOYD GEORGE suggested that perhaps Dr. Bergmann might persuade the Reparations Commission. M. Poincaré would then accept their advice.

DR. WIRTH said that Dr. Bergmann's difficulty was that when he met the

<sup>10</sup> See No. 9, n. 8.

whole Reparations Commission the meetings were very formal, and the atmosphere difficult. He found it necessary to see them separately as individuals. At Genoa Dr. Bergmann had seen M. Delacroix and had found him very reasonable, but the moment he got back to Paris M. Delacroix fell back again. The Reparations Commission would begin to meet on Tuesday.

MR. LLOYD GEORGE remarked that their discussions would take some time.

DR. WIRTH said that it seemed to him that the German question was not to be discussed at Genoa. They [*sic*] might cause serious unrest not only in Germany, but in other parts of the world. He asked if there could not be some utterance by the Prime Minister of Great Britain, either in Genoa or elsewhere. If he left Genoa without something tangible, he did not know what he could say on his return. He would find it very difficult to make any definite statement. It would be extremely hard for him when he reached home to have to say that the German question was not to be discussed at Genoa, more especially if it was to be discussed afterwards by the Supreme Council. He realised the difficulty of finding a formula which would pacify Europe and satisfy France.

MR. LLOYD GEORGE said that, of course, there were constant bursts of excitement in France. He had had a conversation on the previous day with M. Barthou which he thought would have some effect. That was why he was so anxious that the German Chancellor should do his best to adopt a conciliatory attitude. France was at present very considerably disturbed.

HERR DUFOUR remarked that the situation for the German Government and delegation had become very difficult.

DR. WIRTH said he could understand why the German question was not discussed here. His difficulty was to know how to explain it to his people.

MR. LLOYD GEORGE said it would be very easy for him to say something if agreement had been reached at Genoa in regard to Russia. He had said to the press a few days before that it was impossible to trample on a great country like Germany. If agreement were reached with Russia something could be said. That was why it was so important to get an agreement with Russia, to be followed by a pact of non-aggression. It was true that the Treaty of Versailles would have to be left outside such a pact, but, nevertheless, it would have a considerable effect on the policy towards Germany. If this situation could be reached he might say something at a plenary session.

DR. WIRTH remarked that on Thursday<sup>11</sup> the German Parliament would meet, and that would be a difficult day for him. If he were to say that the German question was not to be discussed at Genoa, that would be the end of his Government. The Nationalists were now saying that the policy of fulfilment of the treaty in Germany ought to be dropped. On the whole he thought the best plan, if feasible, would have been to say nothing at all, but it really was impossible for him to say nothing.

MR. LLOYD GEORGE asked if Dr. Wirth must really leave Genoa.

DR. WIRTH said he was in the same position as Signor Facta who had had to meet his Chamber.

<sup>11</sup> i.e. May 11, 1922.

MR. LLOYD GEORGE said that the difference was that Signor Schanzer was really running the conference at Genoa for the Italian Government, and Signor Facta could be spared. The whole situation would be very much easier if an agreement were reached at Genoa. They could then say, 'We have made an agreement with Russia, let us now tackle the German situation'.

DR. WIRTH asked if it would not be possible for Mr. Lloyd George to say something to the press in regard to the value of an agreement with Russia, to be followed by a pact of peace and subsequently by a settlement of the German question without military means.

MR. LLOYD GEORGE said he would have to consider that proposal carefully. It would be much easier after an agreement had been reached with Russia. The best plan would be if the Chancellor could remain in Genoa. A satisfactory settlement with Russia was so important to Germany that he thought it was vital for him to stay there.

DR. WIRTH said he understood the difficulty perfectly, but during the next few days something would have to be said.

MR. LLOYD GEORGE asked if the Chancellor could not say it was essential for him to remain in Genoa in order to help settle the Russian question, as if this were done a better atmosphere would be created in Europe in which it would be easier to settle the German question.

DR. WIRTH said he would think this over, but he thought it would be insufficient. He said he had not thought of a great speech by Mr. Lloyd George, but merely that he should explain the programme of the conference to the press and suggest that the last stage should be the settlement of the German question without military force.

MR. LLOYD GEORGE said perhaps he might use some such phrase as 'so as to have an end of the reign of force in Europe,' or 'to get a peaceable settlement of the German question'.

DR. WIRTH asked if Mr. Lloyd George could not say something of that kind in discussing the programme of the conference and of the future with the press. He would merely suggest the line in which the programme could be followed up.

MR. LLOYD GEORGE said that if a fairly conciliatory reply were received from the Russians he might be able to say this. He could then make a speech either in the First Commission or to the British press.

DR. WIRTH asked if he could not make it before receiving the Russian answer.

MR. LLOYD GEORGE replied in the negative. If the Russian answer were bad the situation would be very bad indeed—in fact almost out of control.

DR. WIRTH said he could see that. He would remain in Genoa until the last moment he could. He had now been Chancellor of the German Empire since the 10th May [1921], and his policy had been a policy of fulfilment.

MR. LLOYD GEORGE agreed that Dr. Wirth had done his best to carry out

this policy. If anything was said in the Reichstag as to a policy of non-fulfilment it would make the position very difficult. He hoped they would succeed in getting an agreement with Russia. It was of course notorious that there had been a certain amount of tension with France in regard both to Russia and to Germany. The Italians took the same view as the British. It was not easy for France to take separate action, and she could not do it unless temper were shown. That was why he wanted to see the Chancellor to-day, and put it to him that he should do nothing to excite a display of temper.

DR. WIRTH said he would follow this advice.

MR. LLOYD GEORGE said he was rather hopeful that nothing would be undertaken in the way of sanctions towards Germany though he admitted that for the moment France was very excited. If nothing happened this excitement would subside. If peace were obtained with Russia he was sure nothing would happen.

DR. WIRTH said he hoped that the Russian answer would be conciliatory. In any event he intended to stay until the Russian answer was received. He would try and induce M. Chicherin to do all he could to conform to the European situation.

MR. LLOYD GEORGE asked whether Dr. Wirth would be willing to allow his experts to advise the Russian delegation.

DR. WIRTH said that in the last few days they had been doing so. They had a Dr. Hilferding who was an independent Socialist and a very good financier and economic expert.

MR. LLOYD GEORGE said that perhaps he could meet some British representative.

DR. WIRTH said that the Russians were very suspicious; in fact all Communists were suspicious. Mr. Lloyd George, he said, had spoken of the International Corporation, and had suggested that the Bank of England could influence other banks to take shares, so that the action of the International Corporation would be strengthened. It would be useful to get the Russian delegates to meet some of these bankers.

MR. LLOYD GEORGE said that Lord Inverforth<sup>12</sup> had already been in Genoa but had left. If the Russians would accept in principle, or subject to one or two objections in detail, then he might get bankers to meet him.

HERR DUFOUR said the Russian difficulty was article 7. They had seen the British memorandum and the corresponding article in it which he thought was article 5. This the Russians would have accepted.

MR. LLOYD GEORGE said he had been unable to carry the British draft.<sup>13</sup> Article 7 of the memorandum, however, was much better than the French proposal.<sup>14</sup> It constituted a compromise between the French and the British position. Now the French had rejected it;<sup>9</sup> and he understood that the Americans would not accept it.<sup>15</sup> It did not go far enough for them.

HERR DUFOUR asked if France had definitely refused to accept it.

<sup>12</sup> See No. 34, n. 34.

<sup>13</sup> See No. 100, Annex I.

<sup>14</sup> Ibid., Annex II.

<sup>15</sup> See No. 117.

MR. LLOYD GEORGE said that this was the case.

HERR DUFOUR asked what would happen if Russia accepted.

MR. LLOYD GEORGE said that the British and other delegations would sign.

DR. WIRTH said he still had hopes that France would come in, but he did not think that Belgium could do so. Perhaps some means might be found later for meeting Belgium.

MR. LLOYD GEORGE thought that eventually France would probably find it necessary to join in. The British delegation could sign and so could the Italian.

DR. WIRTH thought that probably the Russians would not accept; they would want to discuss this point and that.

MR. LLOYD GEORGE said that that would make the position very difficult.

DR. WIRTH said the Russians would probably accept a number of points without discussion. They would want to discuss a few points and receive explanations on others. The great difficulty was the nationalisation question. They had told him that on Friday afternoon. Moreover, it must be remembered that they were very suspicious people. He thought it would be very useful if Mr. Lloyd George could see M. Chicherin personally.

MR. LLOYD GEORGE said he would be willing to see him any time on the morrow.

DR. WIRTH asked if Mr. Lloyd George would like him to try and arrange it.

MR. LLOYD GEORGE said that if Dr. Wirth liked to do so he would meet M. Chicherin. He could see him any time after 11 [a.m.]. Probably Signor Schanzer would be present, but he felt sure M. Chicherin would have no objection.

HERR DUFOUR asked if between 11 [a.m.] and 1 [p.m.] would suit.

MR. LLOYD GEORGE said that this would do very well. It would be useful if M. Litvinoff could accompany M. Chicherin. He was told that M. Litvinoff had great influence with the Soviets.

DR. WIRTH said he presumed the conversation would be private and unofficial.

MR. LLOYD GEORGE agreed. If once the Russian question could be got out of the way, then they could settle the German business. The United States of America would not like it if any country took action against Germany, and Great Britain would be definitely hostile to it.

Dr. Wirth left at about 7 p.m.

*Hotel Miramare, Genoa, May 7, 1922.*



I.C.P. 247-1] *Note of a Conversation on the Terrace at the Villa d'Albertis, Genoa, on Monday, May 8, 1922, at 10.30 a.m.*

PRESENT: *British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P., Sir Maurice Hankey, G.C.B., Sir Edward Grigg, K.C.V.O., C.M.G., Mr. Gregory.

*Italy*: Signor Schanzer, The Marquis Visconti Venosta, Dr. Giannini.

*Serb-Croat-Slovene State*: M. Ninčić, M. Antonievitch [Antonievic].

*The Treaty of Rapallo<sup>1</sup>: Fiume.<sup>2</sup>*

MR. LLOYD GEORGE said that he had had a report on this question from the representative of his Foreign Office, and he felt that there was no question at issue which ought to make difficult a settlement between reasonable people with whom he had to deal. These were very small matters to keep two great countries apart. He must frankly admit that he did not think the frontier at Port Baros was well drawn, a point which he illustrated by turning to a map of Port Baros.

M. NINČIĆ agreed that Port Baros was a very small port.

MR. LLOYD GEORGE asked if he might state the case as he understood it, in order to ascertain whether he had grasped it correctly. He understood that the Italians were in occupation of territory which they had to clear out of the moment there was an agreement. One portion was outside Zara, and the other was at Susak. The Jugoslavs maintained that these territories ought to be evacuated at once.<sup>3</sup> The Italians said that they would evacuate them the moment the convention provided for in the Treaty of Rapallo was signed. This they considered necessary in order to provide for the water and supplies of Zara. They said they would also evacuate Susak under similar conditions. The difficulty on the part of the Italians was that Count Sforza had settled the frontier in a secret letter which he had not given to the Italian Parliament. This surely must have been a mistake on his part. He asked if that was a clear statement of the issue.

SIGNOR SCHANZER said it was, but he would now like to give an explanation. The Italians and the Jugoslavs had created the State of Fiume by means of the Treaty of Rapallo. The maintenance of this State was only possible by means of cordial collaboration between the two countries. Otherwise Fiume could not live. They must have an agreement in regard to Fiume, otherwise the Treaty of Rapallo would be violated. Zara could not live without the conclusion of an agreement, since the water and food supplies of the town must be derived from the Jugoslav territories. When the Treaty of Rapallo was concluded, it provided for a special convention in regard to Zara. This special convention was nearly ready; there were only a few clauses outstanding. Originally the Italian army had occupied Dalmatia, which had been divided into three zones. They had evacuated the first and second

<sup>1</sup> See No. 110, n. 10.

<sup>2</sup> Ibid., n. 9.

<sup>3</sup> Cf. No. 113.

zones in order to show their readiness to conclude a treaty. They had only retained the occupation of the third zone round Zara. It was impossible, from the point of view of public opinion, to evacuate this third zone until the Convention of Zara was signed, and they could not execute all the territorial clauses of the Treaty of Rapallo until the Zara Convention was settled. The moment this convention was signed he would order evacuation. He was prepared to put a clause into the convention saying that it would not become operative until evacuation was complete.

M. NINČIĆ explained that he could not finally conclude the Zara Convention until evacuation had taken place. It was not that he mistrusted the good faith of the Italian Government. Theoretically, however, it would be possible, so long as the Italian troops remained, for the Italians to insist on the insertion of something new before they withdrew their troops.

MR. LLOYD GEORGE asked what the Treaty of Rapallo provided.

M. NINČIĆ said it was silent on the subject. What he had said was purely theoretical, but from the point of view of his Parliament he had to consider this. However, he would not absolutely insist on the point.

SIGNOR SCHANZER said that the Treaty of Rapallo said nothing as regards a previous evacuation. He was prepared to engage himself to order evacuation immediately the treaty was signed. In view of this statement, it showed a lack of confidence in the good faith of the Italian Government on the part of M. Ninčić if he continued to make difficulties. He must protest against this theoretical point of view of M. Ninčić. If M. Ninčić refused to sign before evacuation took place, he was not fulfilling the treaty. Without the convention Zara would die, so it could not be regarded as a theoretical question.

MR. LLOYD GEORGE said he understood this difficulty, but he thought it should not be insurmountable. It reminded him rather of the story of the Highlander who went to the bank with a five-pound note to change, and refused to let go of it until the banker had placed the money within his hands. He insisted on a 'grip for a grip' before leaving hold of the five-pound note. He suggested that perhaps the Zara Convention might be signed by M. Ninčić and handed over to himself to keep, on condition that he would not hand it over to Signor Schanzer until evacuation had been ordered.

SIGNOR SCHANZER said he was prepared to make a special agreement that he would give the order the moment the convention was signed.

M. NINČIĆ demurred to the suggestion that there was any lack of confidence in the Italian Government.

MR. LLOYD GEORGE recalled that he had been connected with this question before. First, he had tried to conclude an arrangement with Signor Orlando, and President Wilson had come in and upset the agreement. Then he had made a settlement with Signor Nitti, which was rather favourable for the Jugoslavs, but M. Trumbitch had upset this.

M. ANTONIEVITCH said that according to the Jugoslav statistics Zara had not in fact been supplied from the country in its immediate vicinity, but from places far distant, such as Budapest.

MR. LLOYD GEORGE asked M. Ninčić what he had supposed would be

included in the special convention provided for under the Treaty of Rapallo if it were not matters of supplies and so forth.

M. NINČIĆ said he had contemplated such matters as passport facilities, to enable the inhabitants of Zara to pass into the surrounding country without difficulties; perhaps without passports at all. Many of the inhabitants of Yugoslavia had property in Zara, and *vice versa*. Arrangements had to be made as regards this. Also, Zara had been the capital of Dalmatia, and this necessitated arrangements about many matters, such as the archives of the tribunals and administration, and property which belonged both to Dalmatia and Zara.

MR. LLOYD GEORGE asked if he had a draft of his convention.

M. NINČIĆ said that agreement had already been reached on most points.

SIGNOR SCHANZER agreed that this was the case, but said that it was essential to ensure the material life of Zara. If the customs line were drawn at the very gates of Zara the inhabitants would not be able to get supplies. He wanted the customs line drawn beyond a free zone, in order to permit Zara to live. That was the spirit of the treaty.

MR. LLOYD GEORGE said that it was clear he had not yet elucidated all the points in controversy. As he had another appointment in a short time, he thought that the best plan would be to set up some machinery for setting out all the points of controversy. He proposed, therefore, that two or three representatives of the British Foreign Office should meet two or three representatives of the Foreign Offices of Italy and the Kingdom of the Serbs, Croats and Slovenes, in order to define the points of difference. Their task would not be to settle the question, but to set out clearly all the points, which could then be settled by the Ministers.

This procedure was agreed to, and it was arranged that the representatives should meet the same afternoon at the Palazzo Reale.

*Hotel Miramare, Genoa, May 8, 1922.*

## No. 120

*Draft Minutes of the Fourth Conference of the British Empire Delegation, Genoa, held in the Prime Minister's Room, Hotel Miramare, Genoa, on Wednesday, May 10, 1922, at 3 p.m.*

[N4691/646/38]

**PRESENT:** The Right Hon. D. Lloyd George, O.M., M.P. (*in the Chair*); The Right Hon. Sir Laming Worthington-Evans, Bart., Secretary of State for War; Sir Philip Lloyd-Greame, K.B.E., M.C., M.P., Director of Overseas Trade; Professor Edouard Montpetit, K.C., LL.D., Representative of Canada; The Right Hon. Sir Joseph Cook, G.C.M.G., Representative of Australia; The Hon. Sir Edgar Walton, K.C.M.G., Representative of South Africa; Mr. D. M. Dalal, C.I.E., Representative of India.

The following were also present: Sir C. J. B. Hurst, K.C.B., K.C., Foreign Office; Sir M. P. A. Hankey, G.C.B., Secretary, British Empire Delegation; Mr. Pembroke Wicks, Assistant Secretary, British Empire Delegation.

MR. LLOYD GEORGE, in opening the meeting, said that the Russian Soviet Government were afraid of upsetting the principles of the Revolution and antagonising the workmen upon whom the Revolution depended. On the other hand, they did not want a break. On the whole, he thought there was little chance of their accepting the Memorandum of May 2nd.<sup>1</sup> In consequence, he had been working out the kind of proposal that could be made on the assumption that the Russians would not accept the Memorandum, and a document<sup>2</sup> had been prepared on the preceding day. He understood that the Russians regarded Clause 7 of the Memorandum as so drastic that it constituted a challenge to the basis of their system of government, which was nationalisation.<sup>3</sup> We were asking them to accept liability for obligations of the old Czarist Government, and were offering them nothing in return. The document he referred to had been prepared for use in the event of refusal, but it was not to go forward until the Russians had actually refused. On the other hand, the British Government must be prepared with their proposals, lest the French and Belgians might take advantage of the crisis, caused by the Russian refusal, to break up the Conference.

SIR CECIL HURST then read the new draft Memorandum (see Appendix).

MR. LLOYD GEORGE said that there were one or two points which seemed doubtful. It must be remembered that the document had been drafted on the assumption that the Russian Government would not accept Clause 7 of the original Memorandum, and the new document must, therefore, not include points which the Russians thought it impossible to accept. It was assumed on page 1, and again on page 5, at the beginning of Clause 7, that the Russian Government would restore or compensate foreign interests for loss or damage caused through the confiscation of property by the Soviet Government or due to damage done by the action or negligence of the Soviet Government. It should be possible to use words which would safe-

<sup>1</sup> No. 108, Annex II.

<sup>2</sup> See Appendix.

<sup>3</sup> In a conversation with Signor Schanzer and Dr. Giannini on May 8, 1922, at 11.30 a.m. (s.g.-30A: not printed), Mr. Lloyd George, who was accompanied by Sir L. Worthington-Evans, Sir Cecil Hurst, Sir Maurice Hankey and Sir Edward Grigg, said that, according to M. Albert Thomas who had seen M. Rakowski on the previous day, the Russian Delegation's main difficulty was Clause 7. M. Thomas said that the Russians were anxious to settle and Mr. Lloyd George hoped that an idea of the Russian Delegation's would be considered: 'This idea was that everything except Clause 7 should be accepted, and that the Russians in their reply should go a long way towards the acceptance of Clause 7. They maintained that it was much easier to adopt Clause 7 in practice than in principle. A suggestion had been made, therefore, that a Commission should be appointed to work this out, namely, to report whether in fact the Soviet Government had done its utmost to restore property in the circumstances in which it was placed, and to give proper compensation where restoration was impossible. It might be arranged that this Commission should report by a given date as to whether the Soviet representatives had done all they could, and that the principle of recognition might depend upon this report.'

guard the position without too definitely committing the Soviet Government to accepting a proposal to which they were afraid to agree.

SIR CECIL HURST pointed out that the phrase contained the literal words of the Cannes Resolutions.<sup>4</sup>

SIR PHILIP LLOYD-GREAME said that the Cannes Resolutions had been used with the object of preventing the French from breaking off negotiations.

MR. LLOYD GEORGE pointed out that if the Soviet Government would accept this Clause there was no reason why they should not accept the Memorandum.

SIR JOSEPH COOK concurred.

SIR LAMING WORTHINGTON-EVANS suggested that it would be better simply to state that a Commission would be appointed to investigate and report on the subject of private property in Russia and the question of property which had been confiscated or withheld.

MR. LLOYD GEORGE concurred, and said that the Russians were in fact going to make alternative suggestions about appointing a Commission, though their proposals were extremely vague. The present document could be used to give practical form to the suggestion.

SIR EDGAR WALTON asked whether the Russian Soviet Government would undertake to accept the Reports of the Commissions for which provision was made in the Memorandum.

SIR LAMING WORTHINGTON-EVANS pointed out that that was not necessary. The British Government, for instance, would be unwilling to be bound in advance by any such Report.

MR. LLOYD GEORGE said that in point of fact the question of property, it was alleged by the Soviet representatives, would give no difficulty in practice. They said that a very large majority of the properties formerly owned by foreigners would be restored, and very little would be left over for compensation by payment in cash. He thought that once they were faced with practical questions in Russia things would very quickly settle down.

SIR JOSEPH COOK concurred. He had all along felt that if it were possible to get an agreement working, matters would very soon settle down.

The meeting then examined the various clauses of the document.

On Clause 1, MR. LLOYD GEORGE observed that what was wanted was a pact of truce until it was possible to arrive at a permanent agreement. Once a truce were made it was probable that the boundary questions would settle themselves.

On Clause 2, Mr. Lloyd George thought that the provisions with regard to propaganda should be made reciprocal. It must be borne in mind that there were about one million Russian émigrés engaged in subversive propaganda against the Soviet Government.

SIR EDGAR WALTON asked whether it would be possible to prevent nationals from undertaking propaganda.

SIR LAMING WORTHINGTON-EVANS thought that the Clause would do this. The Governments undertook not to support political organisations in

<sup>4</sup> No. 6, Appendix.

propaganda, and without Governmental support all such movements would be of little effect.

SIR JOSEPH COOK pointed out that so long as armies in being were on the frontier ready to fight, no one would be persuaded to invest money in Russia.

MR. LLOYD GEORGE said that if agreement were reached he thought the British Empire Delegation should suggest that the question of disarmament be referred to the League of Nations. That would be the next step.

The meeting then considered Clause 7, in which it was provided that a Commission should be appointed to investigate and report on the subject of private property in Russia, the restoration or compensation of foreign interests, and the question of private debts against Russian nationals.

MR. LLOYD GEORGE said that the suggestion had been made that questions of property should be dealt with not internationally but nationally. He felt that if they embarked upon international investigations with the French and Belgians it might well wreck the attempt to settle. British owners of property were more reasonable and would be inclined to make a bargain as with a bankrupt who was unable to pay twenty shillings in the pound. It would be very hard that British subjects should be deprived of any chance of recovering their property because the Belgians insisted on standing out for the last penny.

SIR PHILIP LLOYD-GREAME said that he had been keen on the suggestion that the provision of credit and the restoration of property should go together.

SIR LAMING WORTHINGTON-EVANS said that in that case it might be found that the British were the only people who provided any money.

SIR CECIL HURST pointed out that there were two alternatives between which they must choose—an International Commission on which the French and Belgians would be represented and which would therefore be more likely to ease the situation with them, and National Committees which would be more likely to satisfy British owners of property.

SIR SYDNEY CHAPMAN pointed out that the French had in the prior negotiations demanded National Tribunals, and this could be used in justification of the proposal for National Committees.

SIR LAMING WORTHINGTON-EVANS suggested an International Commission with subordinate National Committees each of which should be entitled to come to an agreement with the Russian Government on behalf of its own nationals.

MR. LLOYD GEORGE suggested that it might be necessary to make a concession to the French who would otherwise be able to block an agreement.

SIR LAMING WORTHINGTON-EVANS pointed out, on the other hand, that if a National Committee were authorised to make an agreement on behalf of its nationals, it would be possible to deal with the Soviet Government direct.

SIR CECIL HURST pointed out that it would be necessary to consider carefully whether they would be wise to give the National Committees any right to sanction such an arrangement over the heads of other Governments.

SIR LAMING WORTHINGTON-EVANS pointed out that that was exactly what

was required. For example, there were many groups of British properties in Russia concerning which it would be possible to fix up a whole series of agreements with the Soviet Government immediately.

SIR CECIL HURST also pointed out the danger to people returning to Russia in the event of a general failure to settle.

SIR LAMING WORTHINGTON-EVANS remarked that the Soviet Government could not repudiate agreements thus come to, even in the event of failure to arrive at a general settlement.

MR. LLOYD GEORGE said he was not sure that operative words would not be required to make the Soviet Government give full protection and property rights both to new investors and to owners of property thus restored.

SIR PHILIP LLOYD-GREAME said that the National Committees might be [slower] to arrive at definite decisions if they were empowered to make agreements, than if they were merely empowered to make recommendations.

SIR LAMING WORTHINGTON-EVANS pointed out that if they were obliged to wait for the International Commission to endorse recommendations, progress would be very slow. No individual would dare to go back to Russia while the Commission was sitting, but, on the other hand, if a National Committee had power to make an agreement, the position of individuals returning to Russia would be secure.

MR. LLOYD GEORGE agreed. The National Committees should be appointed for the purpose of co-ordinating the work of the International Commissions, and a paragraph would be required to secure that property restored should have the same attributes and security as fresh investments.

SIR CECIL HURST drew attention to the Clause providing that in the event of property being restored to private ownership, preference should be given to the former owner, which was the substance of the amendment which had been inserted at the instance of M. Seydoux in the Memorandum already presented to the Russians in order to try and satisfy the Belgians.

MR. LLOYD GEORGE suggested that it would be better to leave this Clause out, and let it be inserted if the Belgians asked for it.

SIR LAMING WORTHINGTON-EVANS stated that it was proposed that each of the Commissions should have on it seven representatives of the European Powers and 7 representatives of the Soviet Government. The European States would be represented as to the Inviting Powers by 4 representatives, and as to other nations by 3. This would give an opportunity to permit representation to all countries on one or other of the Commissions.

On the point whether war debts should be included in the document, MR. LLOYD GEORGE suggested that a decision should be postponed until the Russian reply had been received. In any event, it was very improbable that payment of war debts would be obtained from Russia, France, or Italy.

SIR EDGAR WALTON suggested that in the matter of credits, the Russians were not getting what they asked for. The document did not give them anything definite, and it was desirable to emphasise at the beginning that the granting of credits must depend on confidence, and that if the Russians carried out their engagements, credits would be forthcoming.

SIR PHILIP LLOYD-GREAME pointed out, on the other hand, that it was impossible to pledge the British Chancellor of the Exchequer and the British House of Commons to delegate their powers to a Commission in Russia.

SIR EDGAR WALTON suggested that it should be made more clear that, in the nature of things, credits would be forthcoming in Russia if things so settled down in Russia as to afford reasonable security to capital.

SIR CECIL HURST then read a Clause which he had provided on these lines. The Committee agreed that this Clause should be inserted as a preamble to Clause 5.

MR. LLOYD GEORGE then enquired whether the British Empire Delegation were prepared to agree to the document provisionally, subject to the amendments which had been suggested.

SIR JOSEPH COOK said he thought it was a much better document than that which had already been submitted to the Russians.

The Delegation approved the document provisionally subject to the amendments referred to in the above discussion.

MR. LLOYD GEORGE said it was very important that this document should not be talked about. The Russian reply would not be received until very late that night or the next morning, and it was most important that nothing should leak out about this alternative proposal.

*Hotel Miramare, Genoa, May 10, 1922.*

#### APPENDIX TO NO. 120

The Russian Government have accepted the general principles embodied in the Cannes Resolution<sup>4</sup> and have declared their willingness to carry them into effect, but the reply which has now been received from the Russian Delegates to the memorandum of the Powers dated May 2, 1922<sup>1</sup>, shows that there are various matters on which further investigation is necessary before they can form the subject of an agreement with the Russian Soviet Government. The Genoa Conference has not, for instance, before it sufficient material to determine the amount of foreign assistance which can be made available in the form of credits or otherwise for the restoration of Russia, or how best such credits could be utilised. Nor is it in a position to judge as to the method by which effect will be given to the obligation to restore or compensate foreign interests for loss or damage caused to them when property has been confiscated or withheld. Much of this further investigation must be carried out in Russia.

There are, however, some provisions of the Cannes Resolution which can be embodied in treaty form and brought into force without delay and as any such action would go far to restore normal conditions in Europe, it is proposed that the following steps should be taken at Genoa forthwith:

1. A Pact should be entered into binding all the parties to refrain from acts of aggression against the territory of another State, the existing frontiers as now observed in practice being recognised for this purpose.
2. In pursuance of the undertaking that all nations should undertake to refrain from propaganda subversive of order and of the established political system in



other countries than their own, an agreement should be entered into by the Russian Soviet Government that it will not interfere in any way in the internal affairs of other States and that it will refrain from any action which might disturb the territorial and political status quo and from supporting by financial or other means political organisations at work in other countries. It will also agree to suppress in its territory all attempts to foment acts of violence in other States.

The Russian Soviet Government should also agree to use all its influence to assist the restoration of peace in Asia Minor<sup>5</sup> and to adopt an attitude of strict neutrality between the belligerent parties.

3. The Russian Soviet Government should undertake to set up in Russia forthwith an adequate judicial system and to allow foreigners to enter, travel and trade in Russia, as proposed in Clause 11 of the memorandum of May 2, 1922.

4. Commissions should be set up for enquiring into and reporting on the remaining matters dealt with in the Cannes Resolution. The work of these Commissions will be carried on in Russia and every facility will be accorded to them by the Russian Soviet Government to enable them to carry out their duties.

The Commissions would regulate their own procedure and would be authorised to have subsidiary investigations made in whatever manner they thought best.

5. The first of these Commissions will deal with the amount and nature of the external assistance, whether provided in the form of credits or otherwise, which can be applied to restore the economic life of Russia, regard being had to the resources already available in Russia for this purpose and to such as can be made available as security for foreign credits. The Commission would also report on the objects for which such credits can most usefully be devoted and would endeavour to secure co-ordination and to establish an order of priority in the various schemes considered so as to ensure that the foreign credits and assistance available may be rendered as effective and far-reaching as possible and that they shall be used for the purposes which are most urgent. The Commission will also report on the machinery required to safeguard the use of such credits.

This Commission will consist of . . . persons . . . of whom . . . shall be appointed by . . . The Commission will furnish its report within . . . months.

6. A second Commission will be instituted to investigate and report on the method and manner in which Russia can resume the service of the loans which have been raised or guaranteed by the Russian Soviet Government or its predecessors and can effect payment of the obligations contracted towards private persons. Its report will cover the financial engagements of all authorities in Russia, whether local or provincial, and of public utility enterprises in Russia, contracted before this date towards the nationals of other Powers, unless at the time the engagement was contracted the territory in which the authority or enterprise was situated was not under the control of the Russian Soviet Government or its predecessors. Regard will be had in the recommendations of the Commission to the actual conditions in Russia and to the necessity of her reconstruction. In all matters connected with bonds or liabilities towards foreign nationals this Commission will work in close conjunction with the bondholders or their representatives and will endeavour to formulate its proposals in agreement with them on all matters in which they are affected, particularly as regards any remission or reduction of interest or any moratorium as regards the payment of interest.

<sup>5</sup> On Asia Minor, see Vols. XVII and XVIII.

(The Commission will also report on Russia's obligations in respect of advances made by Allied Governments during the late war and the extent to which she should be called upon to meet these obligations and the method of doing so.)

This Commission shall be constituted of the same number of members as the first Commission, the non-Russian members being appointed by the Government[s] of. . . .

7. A third Commission will investigate and report on the subject of private property in Russia, and upon the method and manner of restoring or compensating foreign interests for loss or damage caused to them when property has been confiscated or withheld by the Soviet Government, or when damage has been done to it by the action or negligence of the Soviet Government.

(It is assumed that in the meanwhile the Russian Soviet Government will give back property to its previous owner on terms agreed with him except in cases in which such return of the property is impracticable; and that in no case will private property be given to any person other than the previous owner without his agreement.)

The Commission will also report on the best method by which foreign nationals should be enabled to enforce their just claims against private persons in Russia, and as to the extent to which the Russian Soviet Government should assume the liability in cases where payment of the sums due has been rendered impossible by the action or negligence of that Government.

The Commission will be constituted on lines similar to the Commissions under Clauses 5 and 6, the non-Russian members being appointed by. . . .

8. The Reports prepared by the Commissions will be furnished to the Russian Soviet Government and to all other Governments represented upon them. If accepted and adopted by the Governments concerned, the measures necessary for giving effect to them will be taken in consultation with the Russian Soviet Government, but it must be understood that no scheme for facilitating credits can be approved by the Governments concerned unless and until satisfactory arrangements are made with regard to the matters dealt with in Clause 7.

9. Recognition *de jure* of the Russian Soviet Government will be accorded forthwith by the other Governments so far as may be necessary to carry out the agreements contemplated under Clauses 1-3 of this note. Full diplomatic and ceremonial recognition will follow when the other Governments are satisfied that full effect is being given by the Russian Soviet Government to any agreements entered into with regard to the matters dealt with in Clauses 6 and 7.

10. The Russian Soviet Government will regard as binding upon it treaties, conventions and agreements which were entered into by the Russian Imperial Government or the Russian Provisional Government provided that they are still capable of execution or have not already been denounced in the manner provided in the instrument itself.

11. In accordance with the general practice of civilised States, the Russian Soviet Government will when recognised *de jure* grant religious liberty and freedom of conscience to all inhabitants of Russia and the free exercise of their religion to the members of all religious denominations.

P.C.I.-I] *Meeting of the Inviting Powers to the Genoa Conference held on May 10, 1922, at 11 a.m., at the Palazzo Reale.*

PRESENT: *President:* Signor Facta.

*Belgium:* M. Jaspar.

*British Empire:* The Rt. Hon. D. Lloyd George, O.M., M.P.

*France:* M. Barthou.

*Italy:* Signor Schanzer.

*Japan:* Viscount Ishii.

The meeting opened at 11.10 A.M.

THE PRESIDENT stated that since the beginning of the conference he had received a number of appeals from various countries complaining of their situation. He suggested that the inviting Powers should discuss them one by one and decide upon the measures to be taken in each case. He therefore requested Signor Schanzer to summarise the appeals in question.

# 1. *International Health Conference at Warsaw.*<sup>1</sup>

SIGNOR SCHANZER stated that M. Hymans, acting President of the Council of the League of Nations, had sent a telegram (Annex A) to the president of the conference asking him to submit the resolutions of the Warsaw Health Conference to the Genoa Conference.

Poland, as an inviting Power of the Warsaw Conference, had also addressed a note on the same subject (Annex B) to the president of the Sub-Commission of the First Commission.

Signor Schanzer suggested that the Sub-Commission of the First Commission should invite the conference to recognise in principle the resolutions of the Warsaw Conference, and to recommend the various Governments concerned to examine them carefully and without delay with the object of deciding upon the measures necessary for their application.

M. BARTHOU stated that if the words 'recognise in principle' signified 'adhere in principle' he was in full agreement with Signor Schanzer on this matter. He could not, however, accept any proposal which tended to recommend Governments to adopt the resolutions of the Warsaw Conference in their entirety.

MR. LLOYD GEORGE wished to draw the attention of the commission to the fact that it was not really a question of any adoption in principle, but rather of credits, to aid in checking the spread of typhus, which was seriously menacing the whole of Europe. The real question was whether the Governments really meant to carry out the Warsaw resolutions.

M. BARTHOU thought that Mr. Lloyd George's remarks were perfectly justified. The conference, however, could, in his opinion, do nothing but refer the Warsaw resolutions to the various Governments, which would ask

<sup>1</sup> Of March 20-8, 1922 (see Hans Aufricht, *Guide to League of Nations Publications*, op. cit., p. 166).

for the necessary credits from their Parliaments if they thought necessary. With this reservation, he accepted Signor Schanzer's draft resolution, whilst pointing out that the liberty of Governments and Parliaments must be fully safeguarded.

SIGNOR SCHANZER appreciated the justice of the observations made by M. Barthou and Mr. Lloyd George; it was clear, he added, that the Governments should endeavour to obtain the necessary credits from their Parliaments.

VISCOUNT ISHII remarked that, according to information received from the secretary-general of the Warsaw Health Conference, the words 'the Powers concerned' did not apply to Japan, but only to the European countries.

He pointed out that Japan had been invited to the Warsaw Conference merely as a member of the Health Section of the League of Nations; he had only adhered to the resolutions with the reservation that they did not apply to Japan.

SIGNOR SCHANZER noted Viscount Ishii's declaration, which would be included in the minutes of the meeting.

M. JASPAR gave his unconditional adherence to Signor Schanzer's proposal.

THE PRESIDENT declared that, as there was no opposition, 'the inviting Powers would ensure that the Sub-Commission of the First Commission should ask the conference to adhere in principle to the resolutions of the Warsaw Health Conference, and to recommend the various Governments concerned to examine these resolutions carefully and without delay with the object of deciding upon the measures necessary for their application'.

## 2. *Eastern Galicia*<sup>2</sup>

SIGNOR SCHANZER stated that the delegation of the National Council of Eastern Galicia sitting at Vienna, basing its request on article 91 of the Treaty of Saint-Germain, had asked that the question of Eastern Galicia should be examined by the delegations of the Allies at the Conference of Genoa, in conjunction with Galician experts, and that the Galician Government should be invited to send representatives to the Genoa Conference.

The delegation of the Ukrainian National Council had just addressed a note (Annex C) to the First Commission protesting against the Polish occupation and requesting that the international status of Eastern Galicia should be regulated by the conference.

The president of the conference had also received several telegrams relating to the same subject from Ukrainian settlements, especially in America, protesting against the methods adopted by Poland in the territory placed under her administration.

SIGNOR SCHANZER proposed that this question should be referred to the Supreme Council.

M. BARTHOU accepted this suggestion in principle; it was, however, laid down by the Treaty of Saint-Germain that the principal Allied and

<sup>2</sup> See Nos. 95, 102, 106, and 112. (See also Vol. XI, No. 693, and Vol. XVI, No. 8.)

Associated Powers would decide the fate of Eastern Galicia. He saw no reason why the provision of an existing treaty should be changed in any way.

MR. LLOYD GEORGE observed that the question had been hanging over for two or three years and was endangering the peace of Central Europe. If the conference failed to come to terms with Russia, the present situation of Eastern Galicia would provide a ready means of supplying Russia with every excuse for interfering in the affairs of Poland. Three-quarters of the population of Eastern Galicia were Ukrainian; they were of the same blood, the same race, the same language and the same religion as the population of the Ukraine. They were held down by force of arms by the Poles. The Supreme Council at its meetings in Paris had repeatedly decided against the Poles on this particular claim, but Poland had defied the Allied and Associated Powers, and was still in military occupation of the territory against the wishes of the inhabitants. The conference could not ignore such a question and adjourn its discussion on the pretext that it was the business of the Allied and Associated Powers. In any case, an interchange of views between the Allied and Associated Powers could not easily nor soon be held. The Supreme Council, if it met, could only, they were told, discuss questions relating to reparations. If the question were submitted to the League of Nations it would be said that the Supreme Council should deal with it. These perpetual delays for reasons of procedure must be put to an end, for there would certainly be no peace in Europe until the question was definitely settled. As far as he was concerned, Mr. Lloyd George had decided to submit the question to the conference on the occasion of the next plenary session. For this reason he could not assent to Signor Schanzer's proposal that the question should be referred to the Supreme Council.

SIGNOR SCHANZER pointed out that the meeting had been called precisely to decide what question should be included in the agenda of the conference. A delegation had asked that a certain question should be placed upon the agenda: Signor Schanzer did not think that the meeting could raise any objection to this.

MR. LLOYD GEORGE added in support of his theory that one of the chief objects of the Genoa Conference was to establish peace in Europe. That was the first object of the Cannes resolution.<sup>3</sup> How could peace be made in Europe as long as Eastern Galicia was held down by military force?

M. BARTHOU was astonished that Signor Schanzer should reconsider his proposal. It had been definitely decided that the conference would keep to the programme which had been drawn up by common agreement. M. Barthou saw no reason why Mr. Lloyd George should not submit observations at a plenary session during a general discussion, but a new question could not, on the request of a delegation, be added to the agenda which was already laid down.

SIGNOR SCHANZER, replying to M. Barthou, observed that article 2 of the agenda drawn up at Cannes<sup>4</sup> laid down that the object of the Genoa Conference was to endeavour to discover the means of 're-establishing peace

<sup>3</sup> See No. 6, Appendix.

<sup>4</sup> See No. 21, Appendix 3.

on a firm basis'. The discussion which had taken place regarding Eastern Galicia resolved itself into a question of interpretation; was the settlement of the Eastern Galician question a means of re-establishing peace upon a firm basis? There might be various opinions on this question. In any case, whatever the reply might be it could not be considered as arbitrary. If a delegate so eminent as Mr. Lloyd George considered that the discussion of the question of Eastern Galicia was included within the terms of that article of the agenda, Signor Schanzer did not see that this could be opposed. In any case, Mr. Lloyd George would probably explain his proposal more definitely.

MR. LLOYD GEORGE said that in proposing that the question of Eastern Galicia should be discussed he was not asking for an addition to the agenda. He pointed out that the question envisaged in article 1 of the agenda drawn up at Cannes—'the examination of methods of putting into practice the principles of the resolution of Cannes'—had so far been the only ones submitted to the conference.

Article 2—'the establishment of European peace on a firm basis'—had not yet been dealt with.

Mr. Lloyd George did not ask that the question of Bessarabia, the Ukraine, &c., should be placed on the agenda, he merely asked that article 2 of the Cannes agenda should be discussed. When that article came up for discussion he would raise every question which, in his opinion, interfered with European peace. They could not go back on the Cannes resolutions; they could not pick and choose, taking those which suited them and not discussing the rest. Moreover, in his opinion, the question of Eastern Galicia came under not only article 2 but also article 3—'the essential conditions for the re-establishment of confidence without injury to existing treaties'.

M. BARTHOU wished to point out that there was a place for everything, and that if Mr. Lloyd George's proposals were faithfully carried out the whole map of Europe might perhaps be submitted for examination by the conference. Such a thing was obviously impossible. For this reason, if Mr. Lloyd George simply wished to reserve the right to submit the question again to the sub-commission, M. Barthou would raise no objection. He would, however, oppose any draft resolution tending to place the question of Eastern Galicia on the agenda of the conference.

MR. LLOYD GEORGE did not ask that it should be put on the agenda. He simply asked that the conference should discuss articles 2 and 3 of the Cannes agenda. He pointed out that there were three questions which interfered with European peace, apart from the questions which were being discussed with Russia, the question of Bessarabia,<sup>5</sup> which the conference must certainly discuss, the question of Eastern Galicia<sup>2</sup> and the question of Lithuania.<sup>6</sup> The settlement of these three questions was essential for the peace of Central Europe; until they were settled by some agreement there would be no peace there, and some day or other they would occasion a great conflagration, in which all the European countries would be more or less

<sup>5</sup> See No. 82, n. 11, and No. 102.

<sup>6</sup> See Vol. XI, Chap. II, *passim*.

involved. If the Russian discussions broke down, there would almost certainly be serious trouble over these questions, because each of them supplied the Red army with excuses, and even justification, for interference. It was therefore essential, if peace was to be established in Europe, to settle these disputes. Mr. Lloyd George did not in any way wish to discuss the whole map of Europe anew; he wished for the discussion of the three problems, which, within the next year, might disturb the peace of Europe if they were not settled. He pointed out that for two or three years the Powers had absolutely failed to settle them; they had referred them from one body to another merely to get rid of them. In spite of all their efforts they had not got rid of them. He was quite prepared to accept M. Barthou's suggestion that when articles 2 and 3 were put on the agenda of the Political Commission he should raise these questions. If he got no satisfaction there he would raise them in plenary session in the face of the world.

M. BARTHOU accepted the *rendez-vous* 'in the face of the world' which Mr. Lloyd George had given him. He added that, in his opinion, it was the business of the sub-commission to decide whether the establishment of the status of Eastern Galicia was within the programme of the Genoa Conference. For the time being he would confine himself to stating that, like Mr. Lloyd George, he reserved his rights and attitude.

SIGNOR SCHANZER concluded from the interchange of views which had taken place that it was understood that the Sub-Commission of the First Commission would decide whether the question of Eastern Galicia was within the programme of the conference.

It was resolved that the Sub-Commission of the First Commission should decide whether the question of Eastern Galicia should be included among those, which in conformity with articles 2 and 3 of the agenda drawn up at Cannes, figure in the programme of the Genoa Conference.

### 3. *The Ukraine.*

SIGNOR SCHANZER stated that the Government of the Democratic Republic of the Ukraine and the Pan-Ukrainian Constituent National Assembly had addressed two different communications to the president of the conference.

The first, after giving an account of the present situation in the Ukraine, protested against the occupation of that country by the Soviet Government (Annex D).

The second made a similar protest, and also protested against the occupation of Ukrainian territory by Poland, Roumania and Czechoslovakia (Annex E).

Signor Schanzer did not think that these questions could be discussed by the conference, especially as they were stated in very vague terms. He asked that the president of the conference should be authorised to state that they could not be included in the agenda of the conference.

It was decided that the president of the conference should be authorised to state that questions concerning the Ukraine were not within the programme of the conference.

#### 4. *Lithuania*.<sup>6</sup>

SIGNOR SCHANZER stated that the Lithuanian delegation had sent a note (Annex F) to the president of the sub-commission drawing the attention of the sub-commission to the following questions:—

- (1) *De jure* recognition of Lithuania.
- (2) Attribution of the port of Memel to Lithuania.

The Lithuanian delegation asked that these questions should be submitted to a special committee formed by the representatives of the inviting Powers, of Lithuania, of Poland and of Russia. Two other notes<sup>7</sup> dealing with the question of Vilna had been sent by the Lithuanian delegation to the Transport Commission, and referred by that commission to the sub-commission.

M. BARTHOU remarked that existing treaties regulated or directed certain organisations to regulate the questions submitted by Lithuania. For this reason he did not think that the questions should be discussed, especially as the representatives of Poland were not present at the meeting.

MR. LLOYD GEORGE said that the trouble was that the existing machinery had been unable to settle the question, and that therefore it was still a menace to the peace of Europe. In his opinion the question of Lithuania came within the purview of articles 2 and 3. He did not understand to what articles 2 and 3 referred if not to these questions. Article 1 concerned Russia; articles 2 and 3 dealt with the question of European peace. The inviting Powers were bound to consider all questions which were likely to disturb that peace. The existing machinery had broken down completely in respect of both Lithuania and Galicia. Poland had refused to recognise decisions which had been arrived at, and Lithuania seemed to have done the same. It was an open sore, with which they must deal somehow or other, if they wished to re-establish peace in Europe. The question was in exactly the same category as those of Bessarabia and Galicia. They might, after discussion, decide to refer it to some other body for settlement, but in any case the conference must pass it under review. He proposed to raise it in the First Commission, and, if necessary, in the plenary session.

M. BARTHOU pointed out that there were three kinds of questions: those which obviously fell within the competence of the sub-commission; those which obviously fell outside its competence; and, finally, those of an intermediate character which might be discussed if necessary. He did not oppose the examination of such questions during the discussion of articles 2 and 3 of the Cannes agenda. The French delegation would, however, formally reserve the right to oppose them, even in the plenary session, and to defend existing treaties.

MR. LLOYD GEORGE was as anxious as anyone to ensure the application of existing treaties, but objected, that in the case of Lithuania, the treaties were being defied.

M. BARTHOU did not for a moment wish to give the impression that he thought Mr. Lloyd George did not fully accept the situation created by existing

<sup>7</sup> Not printed.



treaties. He merely wished to point out that, if any discussion took place in the sub-commission regarding articles 2 and 3 of the Cannes agenda, it must only consider the method in which the existing treaties had been applied.

THE PRESIDENT stated that, according to the discussion which had taken place, it was resolved that the Sub-Commission of the First Commission would decide whether the question of Lithuania should be included among those which, in conformity with articles 2 and 3 of the Cannes agenda, figure in the programme of the conference.

#### 5. *The Saar Basin.*

SIGNOR SCHANZER stated that a commission of the inhabitants of the Saar Basin had addressed a protest (Annex G) to the president of the conference against the obstacles which were hindering the industrial and commercial development of the Saar Basin, and had requested that the conference should discuss the most effective means of remedying the existing situation. Signor Schanzer proposed that after having taken note of the memorandum, the president of the conference should be authorised to place it in the archives of the conference.

MR. LLOYD GEORGE thought that they should do more than what Signor Schanzer proposed; in his opinion, the question should be considered by the Allied and Associated Powers, signatories of the Treaty of Versailles, and he thought they might refer it to them.

M. BARTHOU said that, when he had referred to questions which could not on any condition be discussed by the conference, he had been thinking among others of the question of the Saar Basin. The French delegation was most unwilling that such a question should be referred to the Allied and Associated Powers, as Mr. Lloyd George proposed, or even placed in the archives of the conference, as Signor Schanzer proposed. According to the Treaty of Versailles, the League of Nations was the sole organisation competent to deal with questions relating to the Saar Basin. M. Barthou therefore objected to the document even being placed in the archives of the conference, which would appear to give it a value which the French delegation entirely denied it; he stated, moreover, that if the document were discussed by the conference he would be obliged to submit the most serious objections to the allegations contained in it.

MR. LLOYD GEORGE did not wish to press the point; he agreed that the League of Nations was especially competent to deal with the question.

It was decided that no further action should be taken regarding the memorandum submitted by the inhabitants of the Saar Basin.

#### 6. *Georgia.*

SIGNOR SCHANZER stated that the president of the conference had received a note (Annex H) from the Minister for Foreign Affairs of the Georgian Republic requesting that when the verification of credentials took place the conference should refuse the Moscow Soviet delegation the right of representing Georgia.<sup>8</sup>

<sup>8</sup> See No. 19.

In a second note (Annex I) the Georgian Republic had submitted a memorandum asking the Genoa Conference to oblige the Government of Moscow to withdraw its troops from Georgia,<sup>9</sup> and requesting that if the Genoa Conference recognised the Moscow Government as the regular Government of Russia the territories belonging to the Georgian Republic should be formally excluded from the boundaries of Russia.

In a third note (Annex J), Georgia had submitted an appeal addressed to civilised humanity by the Patriarch Ambrose of Georgia, and a further appeal from all the political parties of Georgia.

Signor Schanzer thought that the first point should be decided by the Commission for the Verification of Credentials,<sup>10</sup> within whose competence it fell. As regards the other two points, he thought that Georgia had not been invited to the Genoa Conference because she had not been considered a European country by the Cannes Conference, and could not therefore take part in a conference convened with the object of discussing the economic restoration of Europe.

M. BARTHOU agreed that it was for the Commission for the Verification of Credentials to decide whether the Russian delegation should represent Georgia. As regards the second and third points, he agreed with Signor Schanzer that Georgia had not been invited because she was not considered as a European Power. He thought, therefore, that the appeals submitted in the last two notes should not be discussed.

SIGNOR SCHANZER asked that the inviting Powers should authorise the president of the conference to state that the question of Georgia did not fall within the programme of the conference.

MR. LLOYD GEORGE observed that the same thing applied to Azerbaijan, which had also sent a protest to the president of the conference.

M. BARTHOU pointed out that the situation of the two countries was not absolutely identical, Georgia having been recognised *de jure*, whilst Azerbaijan had only been recognised *de facto*.<sup>11</sup>

MR. LLOYD GEORGE stated that, as far as Great Britain was concerned, Azerbaijan had also been recognised *de jure*.

After this interchange of views it was decided:—

- (1) That the president of the conference was authorised to state that Georgia had not been invited to the conference because her territory was situated outside Europe and the conference could not therefore discuss questions relating to that country.
- (2) That the Commission for the Verification of Credentials should decide if the Moscow Soviet delegation should represent Georgia at the conference.

#### 7. Armenia.

SIGNOR SCHANZER stated that the delegation of the Armenian Republic at Paris had sent a telegram (Annex L) to the president of the First Sub-

<sup>9</sup> See No. 82.

<sup>10</sup> See No. 67, n. 10.

<sup>11</sup> Cf. No. 19, and No. 99, n. 12.

Commission of the First Commission informing him that it had learnt that the vital interests of the Armenian Republic were to be discussed during the meetings of the First Commission, and stating:—

- (1) That the Armenian Republic alone was qualified to represent the interests of Armenia.
- (2) That the act of violence committed against Armenia by the Soviet forces should not be confirmed by any decision or arrangement on the part of the Genoa Conference.

It was decided that the president of the conference was authorised to state that Armenia had not been invited to the conference because her territory was situated outside Europe,<sup>8</sup> and the conference could not therefore discuss questions relating to that country.

#### 8. *Azerbaijan.*

SIGNOR SCHANZER stated that the president of the delegation of the Azerbaijan Republic had, as Mr. Lloyd George had pointed out, addressed a note (Annex M) to the president of the conference protesting against the occupation of Azerbaijan by the Moscow Government, and declaring that any concessions or speculations with the natural wealth of Azerbaijan carried out by the Russian Bolsheviks and the Soviet Government would not be recognised by the Azerbaijan Republic.

It was decided that the president of the conference was authorised to state that Azerbaijan had not been invited to the conference because her territory was situated outside Europe, and the conference could not therefore discuss questions relating to that country.

#### 9. *Protection of Hungarian Minorities.*<sup>12</sup>

SIGNOR SCHANZER stated that the Hungarian delegation had addressed a note (Annex N) to the sub-commission with regard to the protection of ethnical minorities, referring to the third article of the Cannes agenda, and adding that the question was of particular interest to Hungary, which had lost more nationals than any other State.

Hungary recognised that the question was within the competence of the League of Nations, to which she hoped to submit an account of the situation of Hungarian minorities. Hungary requested the sub-commission to ask the conference to approach the League of Nations with a view to ensuring the effective protection of minorities in conformity with existing treaties; she suggested that this object could best be attained by commissions of enquiry held on the ground.

Signor Schanzer added that the Hungarian Minister for Foreign Affairs<sup>13</sup> had informed him that he was present at the Palazzo Reale if the commission wished to hear his explanations. Signor Schanzer recognised that the question of minorities was certainly within the competence of the League of Nations, but it seemed difficult to deny the Hungarian representative the

<sup>12</sup> See No. 68.

<sup>13</sup> Dr. (Comte) N. Bánffy de Losoncz.

opportunity of defending the question before the Sub-Commission of the First Commission, or refuse to recommend the League of Nations to intervene in favour of these minorities.

Signor Schanzer thought that it would be courteous to refer to the Hungarian delegation's request.

M. BARTHOU pointed out that the Hungarian delegation itself recognised that the League of Nations was competent to deal with the question of minorities. That was a sufficient argument against a discussion of the question by the conference. Moreover, it would be most dangerous to give a hearing to the Hungarian representatives only.

He would agree, however, that the sub-commission should itself decide whether to discuss the Hungarian request and hear the explanations of the Hungarian representatives.

MR. LLOYD GEORGE agreed with both M. Barthou and Signor Schanzer. He thought, however, that there would be an advantage in allowing Hungary, which was more or less isolated, to state her case. Roumania and Czechoslovakia could also state their case, and the question could then be referred to the League of Nations for consideration.

M. BARTHOU repeated that it was for the sub-commission alone to decide whether the Hungarian delegates should state their case. If the Little Entente would agree to this, M. Barthou would have no objection to make.

SIGNOR SCHANZER recalled that it had been decided at the preliminary meeting of the 9th April<sup>14</sup> that if the Sub-Commission of the First Commission had to deal with questions concerning nations not represented in the sub-commission, those nations would be invited to state their case. Under the circumstances, it seemed difficult to refuse Hungary the right to state her case.

M. BARTHOU had not forgotten the decisions which had been taken at the meeting of the 9th April, although the situation had changed considerably since that time. He repeated that he would not object to the Hungarian delegates being heard provided that the sub-commission agreed to it.

It was decided:—

- (1) To refer to the First Sub-Commission of the First Commission the memorandum of the Hungarian delegation regarding the protection of ethnical minorities.
- (2) To allow that sub-commission to decide whether the Hungarian delegates should be allowed to state their case.

#### 10. *Bulgaria.*<sup>15</sup>

SIGNOR SCHANZER stated that the Bulgarian delegation had addressed a note (Annex O) to the president of the Third Commission demanding—

- (1) Equal treatment and the right of reciprocity in international commerce.
- (2) The natural outlet of Bulgaria on the Ægean Sea.

<sup>14</sup> See No. 65.

<sup>15</sup> See Vol. XII, Chapter III, *passim*.

- (3) The protection of Bulgarian minorities residing in other countries.
- (4) An international credit and the adjournment of all payment of reparations.

The Third Commission had referred the first three points of the note to the Sub-Commission of the First Commission. The last point had also been stated in another note previously addressed to the Financial Commission of the conference by the Bulgarian delegation.

Signor Schanzer thought that a part, at least, of these questions must be considered as falling within the programme of the conference; that, for example, of minorities, and that of the natural outlet on the Ægean Sea, both of which appeared to be within the competence of the First Commission.

M. BARTHOU thought that the question of the outlet on the Ægean Sea was definitely regulated by existing treaties; it did not therefore come within the programme of the conference. As regards the question of minorities, the meeting had just taken a decision which should, he thought, also be applied to Bulgarian minorities. It only remained to decide how far the other Bulgarian requests should be discussed.

M. COLRAT, as president of the Third Commission, stated that that commission, wishing to keep within the limits of its mandate, had dismissed the Bulgarian memorandum without taking any decision upon its contents; it had not intended to refer it to the First Commission.

SIGNOR SCHANZER agreed with M. Barthou in that certain of the questions submitted by Bulgaria should not be discussed by the conference, for example, that regarding equal treatment in international commerce, which was excluded by the treaties; that regarding credit, which would appear to be within the competence of the international body which was shortly to be created; and that of reparations, which was for the Governments to decide. They would, however, be obliged to treat Bulgaria on the same footing as Hungary. Signor Schanzer observed that it had just been decided to submit the question of minorities, as far as Hungary was concerned, to the sub-commission, reserving to that commission the right of deciding as it thought best. In his opinion, therefore, the conference should discuss the question of minorities and that of the outlet on the Ægean Sea. Bulgaria, in demanding an outlet on the Ægean Sea, was not asking for a revision of the treaties; she was simply asking that the treaties should be applied. The sub-commission would, if it thought necessary, hear the Bulgarian delegate.

M. BARTHOU made the most formal reservations on behalf of the French delegation regarding the admission of the Bulgarian request; he was willing that the Bulgarian delegates should state their case to the sub-commission if it agreed to it.

MR. LLOYD GEORGE entirely agreed with M. Barthou and Signor Schanzer on the matter. He added that there was a special reason for hearing M. Stamboliiski,<sup>16</sup> who had been one of the few men in Bulgaria to stand by

<sup>16</sup> Bulgarian President of the Council and Minister for Foreign Affairs.

the Allies in the days of King Ferdinand.<sup>17</sup> He had done his best to prevent Bulgaria entering into war against the Allies. He had been imprisoned for this reason during the whole period of the war; he was now in Genoa, and Mr. Lloyd George was sure that it would be advantageous if the Powers would give him the opportunity of stating his case. Countries such as Bulgaria attached a good deal of importance to such matters.

M. BARTHOU fully appreciated the value of M. Stamboliiski's conduct during the war. Under the circumstances he was quite willing that the sub-commission should decide to allow him to state his case.

No further observations were submitted, and it was decided—

- (1) To refer to the Sub-Commission of the First Commission the question of the natural outlet of Bulgaria on the Ægean Sea, and the question of the protection of Bulgarian minorities residing in other countries.
- (2) To allow the sub-commission to decide whether the Bulgarian delegates should be heard.

#### II. *Request from the Angora Government.*

SIGNOR SCHANZER stated that the delegation of the Angora Assembly had asked for an invitation to the Genoa Conference. The Italian Government had replied that the Supreme Council, at its meeting at Cannes last January, had been unable to include Turkey amongst the countries to be invited to the Genoa Conference, as the Treaty of Peace between Turkey and the Allies had not been concluded.<sup>18</sup>

The delegation of the Angora Assembly had later submitted a protest against this decision (Annex P).

Signor Schanzer remarked that this question concerned not only the inviting Powers, but also Russia, which had been anxious that Turkey should be represented at the Genoa Conference.<sup>19</sup> In any case, he thought that it should be decided whether further action should be taken in this connection, or whether the question should be examined by the Sub-Commission of the First Commission; if the Turkish request was categorically refused, they would have to decide whether to base the refusal upon the fact that Turkey was not a European country, or upon the fact that peace had not yet been signed between Turkey and the Allied Powers.

M. BARTHOU observed that the Turkish Government had not been invited to the Genoa Conference, and that there was therefore no reason why any delegates which she might send to the conference should be heard. Whatever argument was used, the reply could only be a categorical refusal to discuss the Turkish request.

It was decided that no further action should be taken regarding the note addressed to the Genoa Conference by the delegation of the Angora Assembly.

<sup>17</sup> King of Bulgaria from 1908 until his abdication on October 3, 1918.

<sup>18</sup> See No. 15.

<sup>19</sup> See No. 33.

#### 12. *Request for Credits by the Albanian Government.*

SIGNOR SCHANZER stated that the Albanian delegation had sent a note to the president of the conference asking for a loan of 100,000,000 gold francs for the purposes of the economic development of Albania (Annex Q); the expenses to which this loan would be devoted were enumerated in detail in the note.

It was decided, without further discussion, to authorise the president of the conference to state that the provision of a loan to the Albanian Government did not come within the programme of the conference.

#### 13. *Montenegro.*

SIGNOR SCHANZER stated that Montenegro had addressed a note (Annex R) to the president of the conference protesting against the fact that she had not been invited to the conference and asking for an invitation, stating at the same time that she had decided to send a delegation to Genoa.

Signor Schanzer thought that in this connection they were confronted by a prior question; Montenegro had not, in fact, been invited to the conference.

M. BARRÈRE (French assistant delegate) asked whether the Kingdom of Montenegro really existed.

SIGNOR SCHANZER asked the meeting to decide whether the request of Montenegro should be discussed.

It was decided that the question submitted to the conference by Montenegro was not within the competence of the Sub-Commission of the First Commission.

This completed the examination of the requests addressed to the Sub-Commission of the First Commission by various countries.

THE PRESIDENT asked Signor Schanzer to inform the meeting of the exchange of notes which had taken place with the Russian delegation regarding the massacres in Georgia.<sup>20</sup>

#### 14. *The Massacres in Georgia.*

SIGNOR SCHANZER recalled the fact that the president of the conference had been requested to send a note to the Russian delegation regarding the atrocities said to have been committed in Georgia during the military operations undertaken by the Bolshevik troops.

M. Chicherin had replied to the note by a letter, which had been published in the newspapers. Certain Powers had thought it necessary to make a direct reply. Signor Schanzer himself did not think that any further action should be taken on this matter. He asked the meeting to authorise him to make no reply to the last letter from the Russian delegation.

The meeting adopted this point of view.

#### 15. *Religious Situation in Russia.*

M. BARTHOUS informed the meeting that he had received a visit from Mgr.

<sup>20</sup> See *The Times*, May 3, 1922, p. 18.

Pizzardo, Acting Secretary of State, who had handed him a memorandum on behalf of the Vatican, concerning the religious situation in Russia. The memorandum had been communicated to the representatives of the Powers accredited to the Vatican.<sup>21</sup> The Vatican requested that, in the agreement with Russia—

- (1) Liberty of conscience should be guaranteed to all citizens, whether Russian or foreign.
- (2) Free public or private exercise of religion should be guaranteed.
- (3) Real property which belonged or still belongs to religious institutions of any denomination should be restored and respected.

Mgr. Pizzardo had pointed out that the Vatican did not insist upon the third point regarding property, and that it would agree to its discussion being postponed. As regards points (1) and (2), M. Barthou observed that they laid down simple principles upon which it would be easy to come to agreement, and which all States would doubtless ask the Russian Government to respect.

M. Barthou recommended the inviting Powers to take the memorandum presented by the Holy See into consideration; he would make the same recommendation to the sub-commission.

THE PRESIDENT was glad that M. Barthou had taken a step which he himself had intended to take. He stated that the Italian delegation had also received the memorandum from the Vatican; it had been informed that the third point was not to be maintained. He observed that this was not a renunciation, but merely an adjournment until such time as another proposition couched in different terms was submitted. The president added that he was convinced that the principles put forward by the Vatican would receive the unanimous support of the conference. The Italian delegation was prepared to support them fully.

M. JASPAR agreed with M. Barthou and strongly supported the Vatican's request. It was known that neither religious liberty nor liberty of conscience was respected in Russia. Up to the present the conference had only dealt with the defence of the material interests of the Russian people; henceforward it was a question of the defence of their moral interests which were in grave danger. For this reason he thought that effort should be made to ensure that the Vatican's request was satisfied. As regards point (3), M. Jaspar stated that the interpretation which Signor Facta had given of the Vatican's position was identical with that given to him by Mgr. Pizzardo.

MR. LLOYD GEORGE thought that he need hardly say that he was an

<sup>21</sup> In his despatch No. 75 of May 6, Count de Salis (H.M. Minister at the Vatican) reported that, in an interview, Cardinal Gasparri (Cardinal Secretary of State) had stated that the accounts which they received about the state of affairs in Russia were very bad; as regards religious liberty they were exactly the opposite of the statements made to the Conference by M. Chicherin. The Cardinal continued: 'If Russia were to be received into civilized intercourse with other countries (and the Holy See show great anxiety that this should be achieved), it was desirable that matters in this respect should be placed on a civilized basis. . . .'



exponent of religious liberty, and had been for it all his life. He wished, however, to point out that the request made by the Holy See introduced a new condition into the dealings with Russia. The negotiations already undertaken were difficult enough without introducing fresh subjects of discussion. It would perhaps be difficult to arrive at an agreement as to what religious freedom meant. England had one interpretation, France another, and Belgium perhaps another. The various countries had been faced with the greatest difficulties in deciding upon the means of respecting liberty of conscience and religion. Under the circumstances, it seemed impossible to introduce a principle upon which the Powers were not agreed into the conditions of the agreement with Russia. Mr. Lloyd George had discussed the question with the representative of the Vatican. He had been told that a decree had been issued in Russia in 1919 to ensure the respect of religious liberty; but it appeared that the decree had not yet been put into operation. Some enquiry should therefore be made as to what was being done, before proceeding further. With regard to point (3), Mr. Lloyd George thought that the Vatican had exercised a very wise discretion in agreeing to adjourn it. The Russian Government had sold Church property in order to save people from starvation. Russia had not been the only country to act in this way; it had happened in England and in France; and if it had not happened in Belgium it was because most of the Church property in that country had already been taken away by the French and the Spaniards before Belgium became an independent country. At any rate, in England most of the Church property had been taken away—nine-tenths of it—and had been distributed amongst very deserving people. They should, in Mr. Lloyd George's opinion, endeavour to obtain more information before proceeding further.

M. BARTHOU stated that he had only wished to propose that the attention of the inviting Powers and the sub-commission should be drawn to the memorandum submitted by the Holy See. He had had no intention of demanding that new clauses should be added to the agreement which might be reached with Russia. He only desired that the attention of the Powers should be drawn to a situation which was exceptionally deserving of interest.

M. JASPAR thought, like M. Barthou, that the religious question had no connection with the memorandum. They were two entirely separate questions. It was none the less true that the religious situation in Russia was regrettable and that liberty of conscience was not respected. It was a question of deciding whether such a situation could be tolerated, in view of the fact that since the Treaty of Westphalia,<sup>22</sup> which constituted one of the bases of European public law, the liberty of conscience was considered as definitely acquired. It could not be admitted that a very considerable part of Europe deliberately ignored such principles, and for this reason the Powers could not refuse to pay attention to the request of the Vatican. It would be easy to draw up an interminable list of facts to prove that liberty of conscience was not respected in Russia; there was a large documentation

<sup>22</sup> Of 1648.

on this matter, and the representative of the Holy See had informed M. Jaspar of some of the facts, which were very numerous.

With regard to Mr. Lloyd George's remarks concerning the confiscation of church property in Belgium, M. Jaspar wished to state explicitly that Belgium was a country in which private property was fully respected and liberty considered as an essential right. For this reason church property, like all other property, had always been respected.

MR. LLOYD GEORGE assumed that everybody respected private property; that, however, did not prevent church property being taken away. No country respected private property like England; but that had not prevented church property from being taken away and put to other uses. M. Jaspar appeared to want to raise the matter in a much more serious form than M. Barthou did. M. Barthou simply wished to call the attention of the First Commission to the matter, but M. Jaspar wanted to bring it before the commission and to invite action in addition. Mr. Lloyd George opposed this. He thought that the question should be brought to the attention of the First Commission, but did not think that any action should be taken. It was no use talking about action and meaning that someone else had to take it. If it was purely a question of the memorandum being submitted to the commission, Mr. Lloyd George was in agreement, as he thought it was due to the respect which they had for the Pope, both for his high office and for himself personally. No one had been such a friend to the conference as his Holiness, and Mr. Lloyd George was certain that whatever action the Pope might take, he would not do it in order to wreck the conference.

M. BARTHOU agreed with Mr. Lloyd George, and was glad to note that the meeting was unanimously agreed as regards the question submitted by the Vatican that religious liberty and the free exercise of religion should be proclaimed.

The meeting adjourned at 1.10 P.M.

#### ANNEX A TO NO. 121

*Telegram from M. Hymans to Signor Facta.*

GENEVA, April 12, 1922

The Council of the League of Nations has instructed me, as president for the time being, to take the necessary measures for the transmission to the Genoa Conference of the results of the Health Conference of Warsaw, in view of the importance of the resolutions passed, and of the unanimous opinion of the conference that any scheme for Russian reconstruction requires greatly increased efforts to combat epidemics. All the resolutions of the Warsaw Conference were accepted by the delegates of the Soviets present at the conference, subject only to a more or less formal reservation. I should be glad if your Excellency would take the necessary steps to have the resolutions of the Warsaw Conference submitted to the Genoa Conference. I have given the necessary instructions to the secretary-general of the League of Nations

to supply you with the documents of the conference. The resolutions have already been submitted to their respective Governments by the Great Powers represented at the conference. For these reasons, and in view of the request of the Italian Government that representatives of other technical organisations of the League should be sent to Genoa, I have invited the secretary-general to arrange with Dr. Rajchman, who was secretary-general of the Warsaw Conference, to proceed to Genoa in order to supply further information, and for the president of the Health Organisation of the League and the president of the Warsaw Conference to be warned to hold themselves in readiness to go to Genoa if their presence is considered necessary.

#### ANNEX B TO No. 121

*Letter from M. Skirmunt to Signor Schanzer, President of the Sub-Commission of the First Commission.*

In its capacity as inviting State to the International Health Conference held at Warsaw from the 20th to 28th March, 1922, the Polish Government would be glad to have the results of the labours of the Warsaw Conference submitted to the Sub-Commission of the First Commission of the Genoa Conference.

As the health conditions of Russia are an essential factor in its general situation, and the health measures adopted are one of the most important means of general reconstruction, the resolutions of the International Health Conference of Warsaw are naturally within the programme of the work of the First Commission of the Genoa Conference.

Accordingly, I have the honour to request your Excellency to be so good as to place on the agenda of one of the forthcoming sittings of the First Commission of the Sub-Commission [*sic*] of the conference the question of health conditions in Russia and of the health measures to be adopted in conformity with the resolutions of the Warsaw Conference, the text of which is attached.

#### ANNEX C TO No. 121

*Letter of the Delegation of the Ukrainian National Council of Eastern Galicia to the President of the First Commission of the Conference.*

GENOA, April 24, 1922

At a meeting held on the 20th March last, under the chairmanship of M. Appel, Rector of the University of Paris, the executive committee of the French League of Nations Association discussed the question of Eastern Galicia, and adopted unanimously the following resolutions:—

‘Whereas in November 1918 Eastern Galicia constituted itself an independent State, in accordance with the right of peoples to dispose of themselves proclaimed by the Entente;

‘And whereas Poland at once declared war on the new State for the

purpose of annexing it, and whereas on the 25th June, 1919,<sup>23</sup> the Peace Conference did certainly authorise Poland to occupy Eastern Galicia with her army, but, on the other hand, it reserved the decision concerning the future, and attributed sovereignty of Galicia to the great Allied Powers;

‘And whereas Poland made use of the right of military occupation accorded to her in order to usurp that sovereignty and to exercise it with the utmost brutality, shooting Ukrainians without trial, levying taxes and war contributions, compelling the inhabitants to do military service, transporting Polish settlers into the country, &c.;

‘It is demanded:

‘1. That the Allied Powers set up an organ of control to supervise and determine the conditions of the Polish military occupation;

‘2. That, in accordance with the recommendation expressed by the League of Nations on the 27th September, 1921,<sup>24</sup> the political status of Eastern Galicia should be determined as soon as possible by the French Government or in agreement with the Allied Powers;

‘3. That this status, in conformity with the desire of the great majority of the population, should recognise the independence of the Ukrainian State, which constituted itself spontaneously on the 1st November, 1918, and has been dissolved by force alone.’

These resolutions are absolutely identical with those adopted by ‘The League of the Rights of Man’ at a meeting held on the 5th December, 1921. The executive committee of the French League of Nations Association communicated these resolutions to the French Government and to the League of Nations.

A similar declaration was voted by the British League of Nations Union at London, pointing out that it is necessary, in the interests of humanity, national justice and world peace, to decide the political fate of Eastern Galicia at as early a date as possible.

At the Assembly of the League of Nations in September 1921 the delegates of Italy and of all other countries declared that it was necessary to take steps with a view to a speedy settlement of the political fate of Eastern Galicia.

The First Commission of the International Conference of Genoa is at the present time dealing with the settlement of international relations in Eastern Europe, and yet Eastern Galicia, under the military occupation of Poland, is still placed in an intolerable *ex le[ge]* situation in which the Ukrainian population, representing a preponderant majority of the whole population of the territory, is deprived of all rights. Owing to this Polish occupation it is impossible to proceed with the economic reconstruction of the country and to consolidate international relations in this first outpost of Eastern Europe.

For the above reasons, it is our duty, at this important time, to draw the

<sup>23</sup> See *F.R.U.S., Paris Peace Conference, 1919*, vol. vi, pp. 677–8.

<sup>24</sup> Cf. *L/N.O.J.* 1921, pt. 11.: ‘Resolutions and Recommendations adopted by the Assembly during its Second Session (September 5 to October 5, 1921)’, p. 36.

attention of the First Commission to the memorandum of the National Ukrainian Council of Eastern Galicia, dated the 8th April, and we ask the commission to examine the question of Eastern Galicia in order to regulate the international situation of this territory, so as, in the interests of peace in Eastern Europe, to put an end to this terrible situation which has prevailed in the country since the beginning of the world war.

#### ANNEX D TO No. 121

##### *Memorandum of the Government of the Ukraine Democratic Republic.*

On the 6th January, at Cannes,<sup>25</sup> the Supreme Council decided to convene a European economic conference, with the co-operation of members of the Moscow Soviet Government, with a view to the reconstruction of Eastern Europe.

The Government of the Democratic Republic of Ukraine welcomes gladly the decision of the Powers of Western Europe to enforce once more the principles of international law, and to restore regular economic conditions in Eastern Europe. However, it reserves the right to explain the political and legal powers of the Moscow Soviet Government.

The Moscow Soviets hold their power as a result of the Bolshevik *coup d'État* of 1917, which took place, as is well known, on Muscovite territory (of Great Russia), and in virtue of which they have the exclusive right to represent and negotiate for this territory.

However, the economic problems of the whole territory of Eastern Europe are to be discussed at Genoa, and the chief problem is that of the restoration of production and consumption in its richest and most important section, namely, the Ukraine; accordingly, the following facts must be pointed out in order to throw light upon the political and legal situation in Eastern Europe:—

#### I.

After the revolution of 1917, the former Russian State ceased to exist as a political unit; by the will of the peoples belonging to it, it was divided into several sovereign States: Finland, Esthonia, Latvia, Lithuania, Poland, the Ukraine, Georgia and Armenia, which separated themselves from Russia when the Communists established themselves in power in Moscow. In particular, the southern and south-eastern territory of the former Russian State (including Volhynia, Podolia, the Governments of Kief, Kherson, Chernigof, Poltava, part of Taurida, and Ekaterinoslaf, including the Donetz Basin) has constituted, since October 1917, the territory of the independent Ukrainian State; in 1918, a French representative, General Tabuis, and a British representative, Mr. Picton Bagge, were accredited to the Government of this State; its independence was recognised *de jure* not only on the conclusion of the peace of Brest-Litovsk, but also by a number of States, including the Moscow Soviet Government.

<sup>25</sup> See No. 6.

Since 1919 the Ukraine has been at war with the Moscow Communist Government, which, after the Treaty of Riga,<sup>26</sup> succeeded in occupying, with its troops, most of the towns and railway lines within the territory of the Ukrainian State, and in installing, under the protection of its troops, an occupation authority to 'administer' the country; this authority has introduced a reign of terror. The head of this administrative authority is a M. Rakowsky, who was not elected nor confirmed in his functions by any Parliamentary assembly whatever in the Ukraine; nevertheless, the Russian Soviets always send him to represent the Soviet Ukraine *vis-à-vis* the European Powers (as M. Chakhray did at Brest-Litovsk).

On the contrary, M. Petlura, the Supreme Head of the Democratic Republic of the Ukraine, to whom the hetman Skoropadski formally handed over the power of the Ukrainian State before its fall, was elected President of the Directorate of the Democratic Republic of the Ukraine by the Workers' and Peasants' Congress held in January 1919, on the basis of universal suffrage. But as neither he nor the Ukrainian national army, in their long struggle against the Bolsheviks, has received any assistance from abroad, he has been compelled to retreat before the superior numbers of the Russian Communist army, and to take refuge, temporarily, along with the Ukraine Government, in the territory of one of the neighbouring States; the volunteer corps, however, and the Ukrainian insurgents, still continue the struggle against the Bolsheviks in the Ukraine. As a result of these events, the towns and railways of the Ukraine have fallen into the hands of the Bolsheviks. However, nothing is changed thereby, for the chief otaman, M. Petlura, Supreme Head of the Democratic Republic of the Ukraine, and his Government are alone entitled to represent the Ukraine State.

The people of the Ukraine State [has] never recognised the Bolshevik Government of occupation, imposed upon it by force of arms, and for three years it has carried on the struggle against the Bolshevik usurpers by means of an uninterrupted series of insurrections. The people of the Ukraine recognise[s] the Government of the Democratic Republic of the Ukraine as its only legitimate Government.

From the point of view of public law and of international law, the so-called Communist Government of the Ukraine, and still more the Moscow Government—as neither has been recognised by the people of the Ukraine—have absolutely no legitimate power, in the course of international negotiations, to cede rights on Ukrainian territory to anyone at all on behalf of the Ukraine, to conclude treaties and agreements on behalf of the people of the Ukraine, or to assume engagements tending to the exploitation of the Ukraine in the interests of Muscovite Russia.

Taking its stand on its incontestable right to represent the Ukrainian State, the Government of the Democratic Republic of the Ukraine declares null and void all treaties, contracts and engagements which may be concluded or assumed by the Moscow Bolshevik Government or by the so-called Ukrainian Communist Government concerning Ukrainian territory; it also

<sup>26</sup> See No. 82, n. 9.

declares that all privileges granted by the Bolsheviks to foreign nationals on Ukrainian territory, all alienation of property and rights in favour of the latter must be considered as without legal force, and consequently not binding on the Ukrainian State.

Neither the people of the Ukraine, nor any regular Ukrainian Government, will ever consent to the Moscow Communist Government, which has never been recognised by the country, being allowed to profit by its situation as *de facto* occupant of the Ukraine and dispose of the national wealth of the Ukraine.

The people of the Ukraine will continue the struggle against its national and social enemy, the Moscow Bolshevik Government, until it has succeeded in driving out the invaders of the country. Similarly, it will rise in arms against all who, in agreement with the Bolshevik Government, come to the Ukraine to exploit the natural wealth of the country under the protection of the bayonets of the Red army.

## II.

The attitude of the Government of the Democratic Republic of the Ukraine with regard to the Genoa Conference and the conditions laid down by the Supreme Council for the Moscow Government will be dictated by the attitude adopted by it in reserving its rights as mentioned above.

According to the first clause of the resolution formulated at Cannes on the 6th January,<sup>27</sup> each nation is free to choose its own system of government, property and economic life.

As is shown by the foregoing statements, the Moscow Soviet Government exercises an oppressive rule over the territory of the Ukraine by means of the military occupation and the Communist system, which is not accepted by the population, 95 per cent. of whom are peasants and consequently opposed to the Communist system. The latter was introduced into the Ukraine solely in order to seize the products of the soil, to plunder the harvest, ruin the factories, export raw material and machinery. This system has been characterised principally by incessant persecution, arrests, arbitrary legal proceedings, and a savage extermination of the whole population, who, by their incessant revolts, demonstrate to the whole world that they will never accept the political and economic régime imposed by the Bolsheviks; this régime has caused signs which are the precursors of famine to appear in the Ukraine also.

It cannot be denied that the Moscow Soviet Government has violated international law by attacking the territories of the Democratic Republic of the Ukraine. This is indeed a mere repetition of a similar act of violence directed against the republics of the Caucasus, whose independence was solemnly recognised by the Soviet Government itself shortly before. (With regard to the Ukraine, see pp. 1 and 15 of document 88 of the League of Nations of the 20th November, 1920.)

<sup>27</sup> See No. 6, Appendix.

The second clause establishes the guarantees to be given to foreign nationals for capital in Eastern Europe. The fourth deals with trade.

It is obvious that, as a result of the Bolshevik occupation of the Ukraine, there can be no question of such guarantees nor of trade. The whole territory of the Ukraine is nothing but a battlefield for the insurgents who consider as their enemies both Soviet agents and all foreign nationals who have any economic relations whatever with the Bolsheviks.

The third clause deals with the recognition of debts and public obligations. This gives the Ukrainian Government an opportunity of recalling that from the day of its proclamation it has recognised all debts of the former Russian State to an extent corresponding to Ukrainian territory.

With regard to clauses 5 and 6, according to which all hostile propaganda and all attacks against neighbouring States are forbidden, the Ukraine in particular, and also Georgia and Armenia, are able to testify that the Moscow Government has violated this principle, and is doing so constantly. In fact, not only have these countries been subjected to the terrors of the Communist occupation, but they have been utilised by the Bolsheviks as a base of operations for propaganda and military preparations for an offensive against the whole of Western Europe.

Taking into consideration the conditions submitted to the Bolsheviks for the Genoa Conference, the Government of the Democratic Republic of the Ukraine thinks it has reason to doubt whether the European Powers can possibly recognise the Moscow Soviet Government, since the Soviets have not ceased to violate the principles laid down at Cannes, and further, the Ukraine continues to be occupied by force, contrary to all international law.

### III.

If the European Powers seriously aim at a real settlement of the economic crisis by means of the restoration of economic life in Eastern Europe, and if they desire to obtain from the Bolsheviks anything more than promises of guarantees, which will never be kept, there is only one preliminary condition for the conduct of negotiations with the Bolsheviks, one which is the natural consequence of the principles laid down at Cannes, namely, that the Red army must withdraw from the territory of the Ukraine State. When the Soviets have fulfilled this condition (and the Moscow Government is at present in a position of such difficulty that it will be compelled to carry out any condition unanimously imposed by Western Europe), the legal Government of the Democratic Republic of the Ukraine, with the support of the national army, will be able to avail itself of its legitimate rights and take the power into its own hands.

In this case, the Government of the Democratic Republic of the Ukraine declares that it is ready to act in conformity with the wishes of the European Powers to make every effort to pacify the country, and that it intends in the first place to convene the Constituent Assembly; the object of the latter will be to establish the legal form of power and to constitute a Government.



The Government of the Democratic Republic of the Ukraine further declares that possessing the confidence of the population of the Ukraine, it is ready to assume, with regard to Western Europe, all obligations necessary to enable the State of the Ukraine, in accordance with the resolutions of the Supreme Council adopted at Cannes on the 6th January, to collaborate usefully with all civilised States in their efforts for the revival of the economic life of Europe.

Realising the difficulties involved in pacifying the country after the Bolshevik terror, the Government of the Democratic Republic of the Ukraine will accept gratefully any assistance arising from international collaboration, whether of a military character or in the form of a contingent of police.

#### IV.

Having set forth in the preceding part of this memorandum the chief preliminary condition for all efforts for the restoration of order and normal economic life in the territory of the former Russian Empire occupied at present by the Soviet Government, the Government of the Ukraine Democratic Republic feels compelled to add that the restoration of normal economic conditions in Eastern Europe cannot be achieved except with the collaboration of all the peoples who inhabit these territories, and of their representatives who have the full confidence of the population.

Assistance given by the European Powers to one single nation of the former Russian Empire cannot, and certainly will not, produce the results which are expected. Esthonia, Finland, Latvia, Lithuania and Poland—those parts of the former Russian Empire which are at present pacified—provide the best proof of the fact that it is the national idea which must serve as the centre round which the new economic life of Eastern Europe is to be built up, and as a guarantee against Communism.

The only way to the reconstruction of Eastern Europe lies through an independent Ukraine and the national republics of the Caucasus, and consists in forming a wide belt extending from Finland to the Caucasus, which, by diminishing the extent of the Russian wound, will finally contribute to its cure.

#### V.

Consequently, the recognition that the Soviets, who alone are responsible for the dreadful situation obtaining in the territory of the former Russian Empire which is under their oppressive rule, are entitled to speak on behalf of the Ukraine, places very grave responsibility on the Governments which, by participating in this act of recognition, encourage the criminal violation of right committed by the Soviet Government. Far from realising by this means the resolutions formulated at Cannes on the 6th January, the European Powers will contribute to continuing for long years to come the state of anarchy and civil war in the territory of the Ukraine; this will render impossible the restoration of economic life and will condemn the country to a permanent state of famine.

And the people of the Ukraine will be justified in remaining convinced that all civilised peoples throughout the world have abandoned it in its struggle against the criminal and foolish system of Bolshevism, and that by their failure to appreciate the common interests of the economic life of the world they have supported the violation of right, and have contributed to prolonging the existence of this system, thus condemning to death many thousands of peaceful, hardworking citizens.

#### ANNEX E TO No. 121

*Letter of M. Wityk, of the Pan-Ukrainian Constituent National Assembly, to the Secretary-General of the Conference.*

VIENNA, March 20, 1922

By the decision of the Supreme Council, an international conference was convened to meet at Genoa on the 10th April, 1922, to regulate the economic conditions of the world. According to the regulations in force, representatives of all States and all nations were to be invited to this conference.

Consequently, the Supreme Council considered that the fate of a nation could not be decided without its participation, and that only a general consultation of all nations would result in a basis being laid for durable and peaceful conditions of existence for all peoples throughout the world.

In the course of its discussions, the Genoa Conference on world economic conditions, amongst the questions of capital importance which are to be discussed, cannot but approach the question of the Ukrainian nation, as its position in the social system of the world, its population and the extent of its territory entitle it to be considered as a country of the first importance in Eastern Europe.

In view of the principle on which the Genoa Conference was convened, we have reason to suppose that the Supreme Council will be anxious to support the participation of the representatives of the Ukrainian nation in this conference.<sup>6</sup>

It is obvious that the representation of the Ukrainian nation to be presumed from such an invitation will not be accidental or forced, but will originate in the freely expressed wishes of the people itself; otherwise the object of the conference will have been defeated at the outset, and the success of the conference will not correspond to the expectations formed, and its resolutions cannot be considered binding on the Ukrainian nation.

The Ukrainian nation forms an ethnic whole, which, after freeing itself from the Russian and Austro-Hungarian yoke, united to form a political unit in accordance with the free determination of the people.

This process of the political enfranchisement of all Ukrainian territories and the creation of a united State comprising all countries of Ukrainian nationality and language is based on the following judicial principles:—<sup>28</sup>

<sup>28</sup> For a general history of the Ukraine, 1917-19, see O. S. Pidhainy, *The Formation of the Ukrainian Republic* (Toronto, 1966), and A. E. Adams, *Bolsheviks in the Ukraine* (Yale University Press, 1963).

- (a)—1. The proclamation on the 20th January, 1918, of the political independence of all Ukrainian States of the former Russian Empire within a Ukrainian Republic by the First Revolutionary Parliament of the Central Council at Kiev.
  2. The proclamation of the 18th October, 1918, by the Ukrainian National Council of Galicia and Bukovina at Leopold of the political independence of all parts of the Ukraine belonging to the former Austrian Empire as the Western Ukrainian Republic.
  3. The proclamation of the 22nd January, 1919, by the Ukrainian National Council at Huszt, elected by equal, secret and direct general election, declaring the political independence of the Ukrainian territories belonging to the former Kingdom of Hungary.
- (b)—1. The declaration of the Ukrainian National Council of Galicia and Bukovina on the 3rd January, 1919, proclaiming the permanent union of the Western Ukrainian Republic with the Ukrainian Republic.
  2. The declaration of the National Ukrainian Council at Huszt on the 22nd January, 1919, proclaiming the permanent union with the Ukrainian Republic of the Ukrainian territories which formerly belonged to the Kingdom of Hungary.
  3. The creation of a single State comprising all countries in which the Ukrainian language is spoken was completed by the Pan-Ukrainian Constituent National Assembly, which met on the 23rd January, 1919; this was known as the 'Trudovyi kongress,' and consisted of the following: (a) Deputies elected by direct, secret, equal, general vote by all persons of either sex over 18 years of age engaged in manual or non-manual occupations in all Ukrainian territories formerly belonging to Russia; (b) delegates of the Ukrainian National Council of Galicia and Bukovina; (c) delegates of the National Council set up in Ukrainian territory formerly belonging to Hungary, the delegates mentioned under (b) and (c) being elected in proportion to the population of the territory.

The Pan-Ukrainian National Assembly is the body which represents the sovereign will of the whole Ukrainian nation. It united all the various Ukrainian territories into a single State called 'The Ukrainian People's Republic,' allowing the Western Ukrainian Republic to retain an autonomous Constitution with the name of 'Western Territory of the Ukrainian People's Republic'. The declaration of this union occupies the first place in the collection of laws of the said republic. The Ukrainian Constituent Assembly has since then been the sole and supreme organ of the will of the Ukrainian nation, though the structure of the Ukrainian State was the victim of false claims on the part of neighbouring enemies, and the Ukrainian Constituent Assembly has been compelled to adjourn its meetings.

Part of the Western Territory of the Ukrainian Republic, which was formerly Eastern Galicia, has been invaded by Poland. Poland is

endeavouring by every possible means to transform this Ukrainian territory into a Polish province, and is ill-treating the population of Ukrainian origin, committing acts of violence with complete disregard for all feelings of humanity; we see repeated here the same process of political oppression which has occurred in the past, while the present victorious States remain the indifferent spectators of these terrible events. Roumania has annexed a part of the Western Ukraine, and the fate of the Ukrainian population there is no better than in Poland.

Poland has also occupied by force a part of Ukrainian territory which formerly belonged to Russia, namely, Kholn, Pidlasie and Volhynia and parts of Podolia; the greatest part of the Ukraine has been occupied by the Russian Soviet Republic.

By the Peace Treaty of Saint-Germain a part of the Ukraine which formerly belonged to Hungary was assigned to the Czechoslovak Republic. It is characteristic of the conception generally held of the right of self-determination that this portion of Ukrainian territory has not yet been accorded the autonomy promised, in spite of the provisions of the treaty. Yet M. Masaryk, President of the Czechoslovak Republic, and the Minister-President Tusař have both declared officially that they would retain this territory only as a pledge and would restore it to the mother country when desirable.

The continued occupation of the greater part of the Ukrainian Democratic Republic by the Russian Soviet Republic cannot be disguised by the concession of a kind of political independence [to] the Ukrainian people within the framework of the Federated Russian Soviet Republic (this is the name used in referring both to all the Federated Soviet Republics and to the Russian National Republic); still less so as the political independence of the Ukraine is nullified by the creation of joint State institutions as organs of a Russian Soviet Federated Republic.

The expression of the wishes of the Ukrainian people is rendered illusory also by the method in which the Soviet delegates of the Ukraine are elected, according to which one delegate is elected for every 1,000 regular soldiers of the Soviet army, one delegate for every 10,000 workers in the towns and one for every 100,000 peasants in the country. Thus, many of the delegates are non-Ukrainian, and yet they are supposed to represent the wishes of the Ukrainian nation.

In addition, the neighbouring States have arrogated to themselves the right to dispose of various parts of the Ukrainian territory as objects of exchange and merchandise, and have concluded agreements for this purpose.

Roumania has concluded an agreement with Poland to this effect,<sup>29</sup> the two countries mutually guaranteeing the possession of the annexed territory.

Another equally unheard-of act of violence against the right of a people to unite to form a single country, as had been decided by the Ukrainian Constituent National Assembly, appears in the agreement concluded between

<sup>29</sup> A reference to the defensive alliance concluded between Poland and Roumania on March 3, 1921 (see *B.F.S.P.*, vol. 114, pp. 916-17).

Poland and the Russian Soviet Government at Riga, according to which considerable portions of the Ukrainian territory were compelled to change ownership and pass under Polish rule.

Thus, the Provisional Supreme Government of the Ukrainian Republic, known as the Directorate, which had been created by the Ukrainian Constituent Assembly, was dissolved, and its various individual members carried on a sporadic and contradictory policy in opposition to the wishes of the people.

M. Petlura, the head of the Directorate, was guilty of a serious breach of the fundamental laws of the republic by voluntarily proclaiming the cession of a considerable portion of Ukrainian territory to Poland.

The whole of the Ukrainian nation is resolved to protest against this partition, and demands to be allowed to unite under a single Ukrainian standard. The creation of such a State is justified by the sacrifice of millions of its members who have suffered for this object. Neither the cupidity of its neighbours, nor the efforts of foreign invaders have succeeded in making the Ukraine swerve from its purpose, which it has manifested always and on every occasion, to preserve the nation and dispose freely of its fate.

The Supreme Council, which aimed at regulating European economic and political conditions at the Genoa Conference, will doubtless invite to the conference representatives of the different peoples. This is the capital point which will crown the work of the conference, which would otherwise render ludicrous the efforts of so many intellectual forces assembled to promote the welfare of the nations.

The essential factor in the regulation of the economic conditions of Eastern Europe is that the Ukraine, with its abundant natural resources, shall no longer be a prey to the cupidity of its neighbours and the centre of perpetual disputes, that the Ukraine, freed from oppression and military occupation, shall be allowed to collaborate in the rehabilitation of world economic conditions.

There is no other possible solution than the restoration of the complete political and economic independence of the Ukraine.

The Ukrainian nation cannot agree to anything which will prevent the realisation of their sacred purpose to create a single independent State, including all Ukrainian territory.

As President of the Pan-Ukrainian National Assembly, which has undertaken the task of maintaining the fundamental resolutions of that representative of the sovereignty of the Ukrainian nation, I am compelled to raise a voice of warning in the interests of the Ukrainian nation and in the interests of the peace and agreement of all other nations and to protest against any decision which does not acknowledge the right of the Ukraine to determine its own political and economic fate.

*Letter of the Delegation of Lithuania to Signor Schanzer, President of the Sub-Commission of the First Commission.*

RAPALLO, April 12, 1922

The delegation of Lithuania has the honour to beg your Excellency to be good enough to call the attention of the Sub-Commission of the First Commission to the following questions, the great importance of which, from the point of view of establishing peace on a solid basis and of the re-establishment of confidence, it seems to us unnecessary to emphasise:—

1. The realisation of the above-mentioned object will be retarded and perhaps even prevented so long as the international situation of Lithuania is not stabilised. Although a member of the League of Nations and recognised by certain neutral and other States of Europe and America, Lithuania is not yet officially recognised by the inviting Powers to the Genoa Conference. The postponement of such recognition renders difficult the establishment of normal legal relations between the said Powers and Lithuania. This situation makes it the duty of the delegation of Lithuania to beg the sub-commission to give to the question of the recognition *de jure* of Lithuania the place which it deserves to occupy in the programme of its labours.

2. Economic reconstruction and the development of transport are delayed by the fact that the only access of Lithuania to the sea, that is to say, the Port of Memel, together with the territory belonging to it, has not yet been handed over to Lithuania. In separating the district of Memel from Germany, in conformity with article 99 of the Treaty of Versailles, and provisionally undertaking its administration, the Allied and Associated Powers gave the following definition of this district in the text quoted below of their reply of the 16th June, 1919, to the objections of the German delegation relative to the conditions of peace: 'The district in question has always been Lithuanian. The majority of the population is Lithuanian in origin and language.' The Allied and Associated Powers also pointed out that 'the port of Memel is the only outlet of Lithuania to the sea'.<sup>30</sup> This question also deserves to be taken into consideration by the sub-commission with a view to calling the attention of the Allied and Associated Powers to the urgency of its final regulation in agreement with the provisions of the Treaty of Versailles.

3. It will be difficult to provide for the economic reconstruction of Eastern Europe so long as the Eastern frontiers of Poland have not been definitively fixed by the Allied and Associated Powers, as contemplated by article 87 of the Treaty of Versailles. It is true that a treaty of peace has since been concluded at Riga between Poland and Russia, but this treaty does not in any way modify the provisions of the Treaty of Versailles relating to the frontiers of Poland.

The delay in fixing the Eastern frontiers of Poland has had for its con-

<sup>30</sup> See *F.R.U.S., Paris Peace Conference, 1919*, vol. vi, pp. 471 and 479.

sequence the unwarranted aggression of the Polish general, Zeligowski,<sup>31</sup> and an occupation of the Lithuanian capital, Vilna, and the surrounding territory. The establishment of peace in this part of Europe cannot, therefore, be effected so long as these Lithuanian territories and the capital, Vilna, have not been restored to the Lithuanian State. As this question is of exceptional importance from the point of view of economic reconstruction, it requires an equitable and prompt solution which has so far been wanting owing to the attitude of Poland in the proceedings by the League of Nations and its refusal to appear before the Permanent Court of International Justice. The Lithuanian delegation has, accordingly, the honour to propose to the Sub-Commission of the First Commission to recommend the constitution of a special sub-commission for the consideration of this question on which all the Powers concerned, and particularly the inviting Powers, Lithuania, Poland and Russia, should be represented.

The Lithuanian delegation is entirely at the disposal of the sub-commission for all information relating to these three questions.

#### ANNEX G TO No. 121

##### *Memorandum of the Commission of the Inhabitants of the Saar Basin.*

GENOA, April 24, 1922

The president of the Genoa Conference, Signor Facta, in his memorable opening speech, gave prominence to the principle that all the peoples of the world should collaborate in the amelioration of the economic life of the world in a work of fraternal co-operation.

Relying on this sentiment, we wish to call the attention of the conference to the obstacles which exist to a regular economic and industrial development of the Saar Basin.

The coal production of the basin in 1913 was 30,104,000 tons, while in 1921 it was only 9,800,000 tons. The production of pig-iron, which reached 1,375,000 tons in 1913, fell to 643,715 tons in 1921. The production of wrought iron was 2,080,000 tons in 1913, and in 1921 only 986,000 tons. The quantity of Thomas slag produced in 1913 was 350,000 tons; in 1921 it was only about 120,000 tons. This diminution does not correspond to the production of wrought iron in the same period, owing to special circumstances. Towards the end of last autumn the French Government prohibited the exportation of this exceptionally important fertilising matter.

This prohibition was only revoked towards the end of March last, when the market for Thomas slag was already closed. We would point out that the production of Thomas slag in France is in excess of the needs of the country. For this reason the Thomas slag produced in the Saar Basin could not be sold on the spot.

<sup>31</sup> General Zeligowski was responsible for the seizure of Vilna on October 9, 1920 (see Vol. XI, pp. 592-660, *passim*).

Consequently, the Thomas slag mills in the Saar Basin remained unused for four months. European agriculture was, by this fact, deprived of about 100,000 tons of Thomas slag, which might, without any difficulty, have been produced and placed.

The population of the Saar Basin is much disturbed by this situation. It begs the conference to investigate the economic situation which has been produced, and to consider the most suitable provisions for promptly eliminating every obstacle to a regular development of the industrial production of the Saar Basin, which is of the highest importance to the economic life of Europe.

#### ANNEX H TO NO. 121

##### *Letter of the Delegation of the Georgian Republic to the President of the Conference.*

From information received from various sources, it appears that the delegation of the Soviets of Moscow will endeavour to assume at the Genoa Conference the representation not only of Russia, but also of Georgia.

In this connection the following points should be noted:—

1. The legal Government of Georgia, which is alone entitled to represent Georgia, has not been invited to take part in the Genoa Conference, Georgia being, in the view of the Supreme Council of the Great Powers, an Asiatic State.

This was the view taken both in the reply by Lord Curzon to the demand for the admission of Georgia to the said conference, a reply which was embodied in a letter from Lord Hardinge of Penshurst, British Ambassador in Paris, dated the 16th February, 1922,<sup>32</sup> and in the remarks made on this subject by the French Prime Minister in the Chamber of Deputies on the 1st April, 1922.

2. Georgia is at present occupied by troops of the Government of Moscow, as the Italian Foreign Minister reminded the combined commissions of the Italian Chamber on the 5th April, although the independence of Georgia is not abolished or called in question by this fact, even by the Government of Moscow.

3. As the power to represent Georgia is not vested in the invading Government, whose troops at present occupy the territories of the above-named Republic, *a fortiori* that power cannot be conferred by the invader on the committee installed by him in Georgia for the application of the Bolshevik régime in that country, which is, in fact, only part of the régime of occupation.

The Powers represented at the conference are accordingly urgently requested, on the verification of credentials, to refuse to the representatives of the Government of Moscow the character of representatives of Georgia,

<sup>32</sup> This reply, reported in Lord Hardinge's despatch No. 409 of February 16 (N1536/646/38) to Lord Curzon, was in accordance with instructions transmitted to Paris in Foreign Office despatch No. 446 of February 15 (N1301/646/38).



a country independent of Russia, and also not to admit, in case they are produced, the credentials of the delegates of the Soviet Government of Georgia, installed in that country by the invader and serving exclusively for the purposes of Bolshevik domination.

ANNEX I TO NO. 121

*Appeal of the Political Parties of Georgia.*

TIFLIS, February 19, 1922

A year has passed since the Russian Red army committed an odious and unexampled act of violence against independent Georgia.

Appealing to Socialism and the revolution, it invaded a newly-constituted democratic republic and trampled its liberty under foot, thus proving to the Georgian people and to the civilised world that the Government of Moscow in reality defies the noblest principles of the self-determination of peoples, though it has recognised them repeatedly in theory.

In committing this shameful act, the Government was only realising a plan conceived long before, which aimed at the conquest of Georgia, a plan which had been ripening for three years and had been several times revealed.

The Georgian people, therefore, has groaned for a year under the yoke imposed upon it by the invader, by the army of occupation. This people is convinced that the invasion of Georgia in the name of Communism had no other object but its conquest and the destruction of its liberty and independence, and that, under the mask of Socialism, it is the autocratic idea of Russian Bolshevik Nationalism which is being realised.

A great danger threatens the Georgian people, which had already entered on the path of progress and prosperity.

Created at the cost of numerous sacrifices and by the devotion of its peoples, the Georgian State sees, against the will of its people, its democratic system destroyed and replaced by the system of dictatorship and terror introduced.

At this critical moment all the political parties who have been deprived of the power to live, act and work freely by the menace of the bayonets of the Red army consider it as a sacred duty to raise their voice before civilised humanity and world democracy against the invaders and oppressors.

The Georgian people, which has suffered so much in the course of history, has never flinched, and has courageously overcome all its misfortunes.

It was thanks to this steadfastness and to its good sense that this people was not carried away by the anarchy which reigned, and still reigns, in Russia.

By its desperate resistance to the Red army which invaded its native soil, a resistance in which it gave proof of so much courage and sacrifice, it added yet other noble pages to the glorious history of its country.

All the political parties of Georgia, enjoying the entire confidence of all classes of the Georgian people, convinced that the rights of the said people

and the independence and sovereignty of the Georgian Republic will be re-established, and possessing the firm hope of witnessing the triumph of the just cause for which they struggle, address all civilised nations with a view to making known to the whole world the history of the invasion of Georgia by the troops of the Soviet Government of Moscow, and also the point of view of the Georgian political parties on the subject of this unprecedented aggression and the present situation of the country.

On the 26th May, 1918, the Georgian people, delivered from the Russian yoke to which it had been subject for a century, commenced to organise itself as an independent State by the proclamation of a democratic republic.

For three years all social classes competed in assuring the property of the State, from the appearance of which civil rights and political equality had been guaranteed, while the interests of the workers and peasants were at the same time safeguarded.

The young republic successively introduced large measures of reform, such as the application of a system of communal and regional self-government, in which every citizen of full age, without distinction of sex, religion or nationality, was entitled to collaborate in the work carried on in the general interest.

Unions arose throughout the territory.

This creative work was carried out in accordance with the provisions of the Parliament and afterwards of the Constituent Assembly, and the realisation of these provisions was entrusted to the legal Government of the country.

This vast republican task was crowned by the elaboration and ratification by the Constituent Assembly of the Constitution of Georgia.

The attention given by foreigners to this creative work is justified by the energy displayed in it by the Georgian people.

Economic relations with the Great Powers of the West assumed a normal character; commerce developed; more and more brilliant prospects opened before industry.

Most of the territories historically Georgian were included within the limits of the republic. In international relations the latter was treated as a State.

The great European Powers recognised, first *de facto*, and afterwards, on the 27th January, 1921, *de jure*, the independence of Georgia.

A treaty was entered into on the 7th May, 1920, with Russia by virtue of which the Government of Moscow renounced all claims on Georgia. This treaty also determined the international relations between Georgia and Russia.

Relations were also established on the basis of international law with the neighbouring countries, Armenia and Azerbaijan.

It was this fruitful task to which the Georgian people, its Constituent Assembly, elected by equal, direct, secret and universal suffrage, and its Government had devoted themselves, which was interrupted on the 11th February, 1921, unexpectedly, without any pretext, without any declaration

of war, by the Red army which attacked and destroyed Georgian detachments on the southern frontier of the republic.

A terrible tragedy commenced. In the course of a few days it was seen that the Government of Moscow was flinging its Red armies from all sides against Georgia. From the direction of Azerbaijan and Armenia, from the pass of the Darial and the saddle of Mamaïsson (in the Caucasus), from the direction of Gagri and Stochi (on the shore of the Black Sea) everywhere at the same time.

Taken by surprise, and shaken by these unexpected attacks, the little republic with its army valiantly resisted the enemy, and up to the 24th February heroically defended the capital against the invader. The enemy was several times repulsed. Many Georgians fell in the battles of Kodjor and Soghan-Loughis (neighbourhood of Tiflis). Finally, the Georgian army was compelled to abandon Tiflis before the pressure of enemy forces greatly superior in numbers, which, occupying a front of 170 kilom., encircled the town.

On the 25th February the Red army entered Tiflis, and with it certain Georgian Bolsheviks sent by Moscow to administer the country.

These latter impudently declared that the workers and peasants had revolted, that a Bolshevik *coup d'État* had taken place at Tiflis, and proclaimed themselves the 'Revolutionary Committee of Georgia'.

During this time the Russian army was pursuing the Georgian army, which fought step by step in its retreat on Batoum, where the legal Government of Georgia was compelled to leave the national soil and take refuge in foreign territory.

The armed struggle against the Red troops came to an end, and the republic fell under the régime of occupation.

All State and social institutions were closed. Civil liberty was abolished, and 'Tchekaë' (extraordinary commissions) were established, diabolical instruments which began to operate as in Moscow.

A system of fearful terror began to reign. The frontiers of the republic were effaced.

All property belonging to public and private institutions was seized or requisitioned by the revolutionary committee and the army, and a great deal of this property was sent to Moscow.

Russian notes became obligatory, and nothing else was seen on the markets, which provoked a constant augmentation of prices.

Deposits belonging to individuals were requisitioned by the revolutionary committee.

The most elementary rights were suppressed. No guarantees any longer existed, either of life or of property, and Georgian citizens expect nothing but more and more violent repressions.

The revolutionary committee of Georgia, since it proclaimed itself master of the country, has used all its efforts to demoralise the people. Everyone supporting the committee is richly rewarded; employments are reserved for him. These base manœuvres, however, have not attained their end.

Only the persons composing the dregs of the population adhere to the committee, which is supported by the bayonets of the Red army, and it is these individuals who are nominated as members and sometimes presidents of the district revolutionary committees.

It may be imagined to what excesses these persons resort, devoid as they are of all moral sense, and without influence except in non-Georgian circles, which are specially protected by them.

It is for this reason that the revolutionary committee has imported such elements from various parts of Russia, which has had the result of making Tiflis lose its national aspect. The Georgian language is proscribed in all institutions in which correspondence and business are chiefly carried on in Russian.

All the railway systems of the Caucasus have been unified and placed under the Central Russian Administration, so that in this domain also the Georgian language has been proscribed.

The members of the revolutionary committee, although bearing Georgian names, rest their power exclusively on the army of occupation.

Many of them were, before the invasion of Georgia, responsible agents of the Russian Governments. Thus, the president of the committee, Boudou Mdivani, was the representative of the Government of Moscow to the Government of Angora, Kavtaradzo, vice-president of the committee, was assistant to the official representative of Russia at Tiflis, and Ellava, the commissary for war, occupied a leading position in the Russian army.

How does it happen then that the Russians, after occupying Georgia, have formally transferred all rights and powers to a committee composed of Georgians?

This enigma is explained by the fact of the political mission confided by the Government of Moscow to the revolutionary committee of Georgia.

To invade and occupy a country is an act of the most ferocious imperialism, an imperialism which the Russian Soviet Government claims, according to its official programme, to desire to abolish throughout the world.

The Government of Moscow, therefore, for the purpose of masking its imperialism, which is in formal contradiction to its own programme, was bound to have recourse to a subterfuge. There was no better method of concealing its hand than by proclaiming to the world that there was no question of an invasion, but that an internal Bolshevik *coup d'État* had taken place in Georgia. It is for this reason that the members of the revolutionary committee of Tiflis, Georgians who came into it in the wake of the army of invasion, endeavour to dissimulate this conquering imperialism, this Bolshevik nationalism of Red Russia, of which Georgia has become the prey.

It is superfluous to add that the members of the committee in question faithfully execute all orders coming from the Government of Moscow, of which they are nothing but the servants. Their services and their devotion are not without reward. They do everything possible, therefore, to falsify public opinion and the real desires and aspirations of the Georgian people by representing to the world that what has happened is a revolution followed by

a *coup d'État*, and that, if Georgia is occupied, it is only from the desire of the Georgian people to be united to Russia.

All means appear to them to be justified for accomplishing this mission.

The 'Tchekaë,' by means of its spies, is everywhere on the watch for those who dare to speak the truth. Woe to them!

But this mission would not be completely carried out unless, after having imposed silence on the Georgian people, their oppressors found someone to speak in its name and to make it say what, of itself, it would never say.

It is for this reason that individuals in search of adventures and ready for everything have been imported from Russia, whose task it is to take part in all organisations, meetings, &c., for the purpose of showing that this or that resolution proposed by the revolutionary committee meets with the approbation of the people, or that such and such a person has been elected by the people, when, in fact, he is the nominee of Moscow or the committee of Tiflis.

No more liberty of the press, of speech or of public meetings.

Elections have been abolished. The wheels of the political machine having been deranged in the manner indicated above, so-called elections to the Soviet have been held in the different districts, which of course were only a farce, the persons elected being merely nominees.

In the presence of these methods, all the Georgian political parties have boycotted these elections, and the people have taken no part in them.

A congress of the representatives of the Soviets of Georgia has been convened for the day of the anniversary of the entry of the Red army into Tiflis.

This congress is the most perfect expression of their system, the most entirely falsified organ, for the constitution of which the revolutionary committee and its partisans have worked feverishly for a year.

It is evident that it will decide and demand nothing but what is contrary to the interests and desires of the Georgian people.

This congress will play the farce of carrying out what has been prescribed in advance by the Government of Moscow to the revolutionary committee of Tiflis.

Whatever may be the decision of the congress, it can contain nothing but the legalisation and confirmation in the name of the Georgian people of the political enslavement of Georgia.

All this is foreseen by the people, and it raises its voice and expresses its anxiety by strikes and various demonstrations. On the 11th February of the present year, the anniversary of the invasion of Georgia by the Red army, movements and manifestations of a political character took place in various parts of the country, which the 'Tchekaë' and the Russian army began to suppress.

Well-known politicians of various parties, men of letters, professors, &c., were arrested.

Attention should be called to the great demonstrations organised throughout Georgia, particularly by the students, demonstrations which encountered

the opposition of the 'Tchekaë' and the army. Violent encounters took place in which numerous persons were killed and wounded.

Such is the situation of Georgia in the opinion of all the political parties.

It is so considered, also, by the whole Georgian people, apart from a few traitors.

The situation so presented gives a picture of the state of things so exact that no one will be able to contest it.

The deception of the revolutionary committee of the Red army and of the 'Tchekaë' are one thing; the real desires and aspirations of the Georgian people are another.

Falsification does not destroy reality. Bayonets and prisons do not break the will of the people.

Firmly and resolutely the Georgian people pursues the way which it has traced for itself, and demands the restoration of Georgia, destroyed by the imperialism of Moscow, and the evacuation of its territory by the political armies.

In communicating the preceding, the political parties of Georgia express their firm hope that, in the struggle sustained by the Georgian people, civilised humanity, which appreciates liberty and the principles consecrated by international law, will range itself at its side.

#### ANNEX J TO No. 121

*Letter of the Delegation of the Georgian Republic to His Excellency Signor Facta, President of the Genoa Conference.*

GENOA, April 20, 1922

Referring to the statement of the situation produced in Georgia by the Bolshevik occupation, which I had the honour of submitting to the conference on the 18th April, I beg to enclose herewith—

1. An appeal by the Patriarch Ambrose of Georgia to civilised humanity represented at Genoa (the autograph original in Georgian and a French translation).
2. An appeal from all the political parties of Georgia.<sup>33</sup>

And I beg your Excellency to bring to the notice of the conference these authentic testimonies of the real aspirations and sentiments of the Georgian people.

#### ENCLOSURE

*Letter of Ambrose, Patriarch of all Georgia, to the Genoa Conference.*

TIFLIS, February 7, 1922

(Translation.)

To civilised humanity, represented at the Genoa Conference, Ambrose, Servant of God, Spiritual Pastor and Patriarch of all Georgia, in the love of Christ sends greeting.

<sup>33</sup> See Annex I.

Before the Christian era, certain communities of Kartvelan origin founded, at the foot of the Caucasus, between the Black Sea and the Caspian Sea, a State of small extent, but endowed with a strong will and creative aptitudes, which is known in history by the name of Georgia, and which was for centuries the only pioneer of Christian civilisation and European humanitarian principles in Asia Minor.

Towards the end of the 18th century, the Georgian nation, weakened by its struggle against external enemies, voluntarily placed itself under the protection of its co-religionist Russia, in the hope that this protection would enable it to safeguard its national and political existence. These motives appear clearly from the treaty concluded in 1793 between Iraclio, King of Georgia, and Catherine, Empress of Russia.

Unfortunately, however, our country, disappointed in its hopes, has been for 117 years the object of a ferocious despotism and intolerable oppression on the part of the Russian bureaucracy.

It was for this reason that in 1917, immediately after the disintegration of the artificial unity of the Russian Empire, the Georgian people proclaimed its independence, and immediately devoted itself to the restoration of its political, national and intellectual existence.

Although its task was hindered by external and internal enemies, the Georgian nation gave proof of such creative capacity and energy that at the end of three years civilised Europe recognised the aptitude of this nation and gave it a place among sovereign independent States.

It is evident that this could not be tolerated by Russia, the former sovereign of Georgia, and a State given to the oppression of small nations.

Russia flung an army of invasion and occupation against the Georgian frontiers, and on the 25th February, 1921, she imposed anew on the small Georgian nation, still bleeding from her wounds, a yoke more humiliating than she had ever had to bear during her history of several centuries.

It is true that the invaders endeavour to prove to all, both to foreigners and to their own people, that they have liberated the Georgian nation, and secured its happiness; but we, the spiritual father of Georgia, and at present its only true pastor, in whose hands converge the most intimate fibres of the heart of the nation, and whom its lamentations and complaints directly reach, we know how happy that nation is!

We can affirm without exaggeration that the inarticulate experiences to which the Georgian nation has been subjected during this last year will inevitably lead it to physical degeneration and moral degradation.

The patrimony of the nation, fertilised by the blood and bones of its ancestors, is wrested from it and divided among foreign invaders. These same invaders deprive the people of the means of existence which it has acquired by its sweat and blood, and send its wealth abroad; the mother tongue of the people is taken from them and profaned, and the national culture created by its ancestors is trampled underfoot. Finally, what the nation holds most sacred, its faith, is wounded, and, under the mask of liberty of conscience, she is not allowed to satisfy freely her religious sentiments.

Her clergy is unjustly persecuted, her Church, which after so many centuries, constitutes the principal factor of the greatness and power of the Georgian National State, is to-day deprived of all its rights, to such a point that it is unable to obtain by its labours and abilities any permanent means of existence.

In a word, the nation groans and laments. It is even physically unable to raise its voice.

In these conditions, we consider it our duty as patriarch to declare before civilised humanity as follows:—

In our character as representative of the Church of God, we are not concerned with the comparative merits or with the regulations of the various forms of political life, but we cannot but desire for our nation a situation which will better contribute to its material restoration and spiritual development, and for that reason we request—

1. That the Russian troops of occupation should be withdrawn purely and simply from the territory of Georgia, and that the Georgian patrimony should be guaranteed against all violations, and against all enforced tutelage and foreign spoliation.
2. That the Georgian nation should be enabled to organise its life freely, in accordance with its wishes, to determine the forms of political and social existence best suited to its spirit, aspirations, customs and national culture.

We cherish the firm hope that this honourable conference, which has assigned to itself as its object the settlement of the greatest problems of humanity, and the establishment in this world of justice and liberty, will not neglect the essential claims of the small nation of Georgia which we have here set forth, and that it will liberate her from the humiliating slavery and the rule of violence of which she is the victim.

May the blessing of the Lord be upon you, upon your generous intentions and your labours.

#### ANNEX L TO NO. 121

*Letter of the Delegation of the Armenian Republic to Signor Schanzer, President of the Sub-Commission of the First Commission.*

The demand by the Armenian Republic to participate in the Genoa Conference was rejected by the inviting Powers, on the ground that Armenia is in Asia. An official assurance was, however, given us that no other Power should be authorised to represent the interests of Armenia, at present occupied by the Soviet army. We learn, to our great surprise, that the vital interests of the Armenian Republic will be discussed at the next meeting of the First Commission or Sub-Commission of the conference. In these circumstances, we desire to state that the Armenian Republic was recognised *de facto* by the Powers of the Entente on the 19th January, 1920,<sup>34</sup> and by the

<sup>34</sup> For the *de facto* recognition of Armenia by the Allies, see Vol. II, pp. 922–5; for the question of *de jure* recognition, see No. 19, n. 7.



United States on the 26th January, 1920, and *de jure* by the Allied Powers by the following Acts, among others: (1) by the Act of Invitation addressed to Armenia as an Ally, for the submission of the Treaty of Peace [to] the Turkish delegation on the 11th May, 1920; (2) by the conclusion on the 10th August, 1920, of the treaty relating to minorities between the Principal Allied Powers and the Armenian Republic, which begins as follows: 'Whereas the Principal Allied Powers have recognised Armenia as a sovereign and independent State'; (3) this recognition also appears from article 88 of the Treaty of Sèvres, which is in the following terms: 'Turkey, in accordance with the action already taken by the Allied Powers, hereby recognises Armenia as a free and independent State'; (4) it is also recognised *de jure* by special Act of the Governments of Belgium, Greece and the Argentine. In the name of this Armenia proclaimed as a sovereign and independent State, and strong in the rights accorded to Armenia in consideration of the immense sacrifices made by the Armenian people by the side of the Allies, and in its long struggle for the conquest of its liberties, we, its legal representatives, declare—

1. That the Armenian people will not submit to any infringement of the sovereignty of the Armenian State recognised by the above-mentioned Acts.
2. That the delegation of the Armenian Republic is alone qualified to represent the interests of Armenia in all circumstances, and that all decisions adopted in its [absence] will be considered by the Armenian people as null and void.

We accordingly request, in the name of justice and equity, that the act of violence committed against Armenia by the Soviet forces shall not be consecrated by any decision or arrangement of the Genoa Conference. We further request to be invited to the conference on the occasion of the discussion of any question relating to the political or economical interests of Armenia.

#### ANNEX M TO No. 121

*Letter of the Delegation to the Peace Conference of the Republic of Azerbaijan to the President of the Genoa Conference.*

*April 25, 1922*

In the name of the delegation of the Republic of Azerbaijan, I have the honour to send your Excellency a copy of the declaration presented by the delegation to the Prime Minister of Italy, president of the Genoa Conference.

ENCLOSURE

*PARIS, April 18, 1922*

In the name of the delegation of the Republic of Azerbaijan, of which I am the president, I have the honour to request your Excellency to bring to the knowledge of the conference the following:—

1. Representatives of the Russian Bolsheviks at the conference have made various statements with regard to the wealth of the Caucasus, and particularly the petroleum of Azerbaijan, and have offered, on their own authority, concessions of some kind to foreign Governments and capitalists.

2. These declarations of the Bolshevik representatives, which have received no proper reply or refutation, show clearly the necessity for the presence in Genoa of the delegation of the Republic of Azerbaijan, the only legal representative of Azerbaijan, for the protection of the interests of the country; this delegation, consisting of the President and certain members of the Azerbaijan Parliament, has nevertheless waited at Paris for six weeks in vain for an authorisation to proceed to Genoa.

3. In the character indicated above, the delegation of the Republic of Azerbaijan, the independence of which has been recognised by all the Powers of the Entente,<sup>9</sup> and even by the Soviet Government,<sup>35</sup> lodges the most energetic protest against all declarations, steps and attempts of the Bolshevik representatives in relation to concessions offered by them, and generally against all speculation in the naphtha of Baku, inasmuch as neither the Soviet Government of Moscow, which has invaded Azerbaijan with its Red army, nor the Soviet authorities established in Azerbaijan have any right to dispose of the naphtha of Baku, which, in common with all the other wealth of our country, belongs to the Azerbaijan people and its legal Government, which will be re-established by the people immediately after the retreat of the Red army, whose bayonets are the sole support of the Bolshevik power.

4. In lodging the above protest, the delegation of Azerbaijan considers it its duty to notify all persons whatsoever that, in accordance with notices repeatedly published, and in accordance with the declarations made to the Peace Conference and to all the Governments of Europe and America, all concessions and speculations in relation to the naphtha of Baku, and other wealth of the Azerbaijan Republic, granted or concluded by the Russian Bolsheviks or the pretended Soviet Government of Azerbaijan, will be absolutely annulled by the legal Government of Azerbaijan, whether such concessions have been granted before the present conference at Genoa or during such conference.

#### ANNEX N TO No. 121

##### *Letter of the Hungarian Delegation.*

The Hungarian delegation, with reference to the third item on the agenda of the Genoa Conference, which indicates as one of the objects of the conference the examination of the conditions essential for the restoration of mutual confidence without interfering with existing treaties, takes the liberty of appealing to the sub-commission appointed to discuss items 1, 2 and 3 of the agenda, and to draw its attention to the situation of the ethnic and religious minorities in the States on the borders of Hungary.

<sup>35</sup> A treaty of military and economic alliance between the Soviet Government and Azerbaijan was signed on September 30, 1920 (see Slusser and Triska, p. 14).

In taking this step, the Hungarian delegation feels that it is carrying out a duty, for the situation of these minorities may impede the restoration of mutual confidence.

Sincerity is a duty which is owing to the conference. It is also a pledge of our peaceful intentions, for it is only by open and straightforward feeling that difficulties can be realised and obstacles cleared away by common agreement.

It is in this spirit of conciliation that we appeal to the conference.

The serious situation of minorities in the above-mentioned territories is a source of discontent and general distrust. The Hungarian delegation is convinced that as soon as this unfortunate situation is generally known, a remedy will be found by international collaboration.

No nation has lost so many of its nationals as the Hungarian nation. This fact explains the great interest shown by Hungary in the international problem of minorities, an equitable solution of which must be found if mutual confidence is to be restored and peaceful co-operation is to be rendered possible. These conditions can only be attained if the Hungarian nation sees that its nationals who are under foreign domination are allowed the full and free enjoyment of their civil, political and religious rights, the free use of their language and equality of economic treatment. The Hungarian nation, reassured with regard to the fate of its co-nationals, would then be able to devote itself freely to the common task of reconstruction.

We are, however, compelled to note that the situation is far from being so satisfactory. The sufferings to which Hungarians subject to foreign domination are exposed, the interference with their individual liberty, the economic losses from which they suffer as a result of measures for the confiscation of private property—measures which are absolutely contrary to the articles and the spirit of the treaties—are a permanent cause of agitation to public opinion and a source of friction between neighbouring nations.

The Hungarian delegation is well aware that a thorough examination of the question of minorities is not within the province of the conference, since this question has been entrusted to the League of Nations.

It is to the League of Nations that Hungary hopes to explain the situation of the Hungarian minorities.

As the execution of the treaties with regard to minorities has been entrusted to the League of Nations, the Hungarian delegation has the honour to request the sub-commission to take steps with a view to securing that the Genoa Conference will approach the League of Nations in order that the latter may ensure the effective protection of minorities in conformity with the treaties.

The Hungarian delegation suggests that the most appropriate step to take would be to send commissions of enquiry to investigate the question on the spot.

*Note of April 23, communicated by the Bulgarian Delegation to the Sub-Commission of the First Commission.*

Bulgaria has always been in favour of freedom of international trade. She has never availed herself of protective customs tariffs to prohibit the importation of certain articles of merchandise.

However, towards the end of the war, in consequence of the substantial fall in output and in trade balances, the State found herself compelled to place an import duty on certain articles of prime necessity, including foodstuffs, as well as on luxury articles. Thus, immediately after the armistice, in view of the increasing need for foreign securities, the State was compelled to set up Central Institutions to regulate the rate of exchange and supervise operations in foreign securities and bills. A State corporation for the export of cereals was also created.

To-day, both of these institutions have been abolished, and only one of the restrictions imposed by the former is still in force. The State reserves the right to levy from exporters of the principal articles of export a tax equal to one-third of the export value calculated according to a rate of exchange fixed by the National Bank of Bulgaria and a little less than that of the Stock Exchange. This restriction had to be introduced owing to the great financial disorganisation of the country, the depreciation of the national currency (97 per cent.) and the urgent necessity to meet the already considerable payments of the State to foreign countries.

Bulgaria is, however, willing to withdraw this last restriction and to allow all facilities to international trade, on condition that the conference agrees that all States, in their international trade relations, shall enjoy the right of complete reciprocity and that the steps taken by Bulgaria with a view to a prolonged postponement of the payment of its financial obligations under the Peace Treaty are taken into consideration.

The decrease in output and the disorganisation of production, transport and credits due to the war and to the Peace Treaty have had fatal effects upon Bulgarian trade. The Treaty of Neuilly imposed upon the small State of Bulgaria financial and economic obligations which were quite beyond her strength and further deprived her of her most fertile provinces, such as the Dobruja, the Valley of Struma and Ægean Thrace, thus depriving her of her natural outlets on the Ægean Sea.

Before the war, the chief Bulgarian trade routes were the Danube, the Black Sea and the Ægean Sea.

Since the conclusion of peace, the Danube has been almost entirely closed to Bulgarian trade; further, this river cannot be a permanent means of transport, since the ice in the river renders it unnavigable for four or five months of the year.

Before the war, the Ægean Sea was the trade route preferred by Bulgarian trade. This is the obvious natural choice, particularly after the equipment of the Bulgarian ports, Dedeagatch and Porto Lago; for the Ægean Sea is the

natural route from Bulgaria to the open seas, and it is only through the *Ægean* that Bulgaria is able to establish direct relations with Europe.

The loss of Western Thrace has deprived Bulgaria of her natural outlet on the *Ægean* Sea, and has dealt a serious blow to her national economy, her agricultural production and her international trade. Transport by the *Ægean* costs less and the time required is three or four days less, both for import and export trade.

At the present time, the most important import and export centres in Bulgaria are the Black Sea ports of Varna and Bourgas. But the Black Sea is a closed sea, and the products of the countries on its shores are similar to those of Bulgaria herself, so that these countries cannot become the chief consumers of Bulgarian agricultural produce. The western countries are the natural markets for Bulgarian products and the natural trade route is the *Ægean* Sea.

It should be pointed out that Bulgarian trade has, since the war, passed through a period of progressive disorganisation; its trade deficit has increased, both with regard to quantity and with regard to value; in 1919 it was 412,000,000 leva; in 1920, 570,000,000 leva; and in the first six months of 1921, 818,000,000 leva. Imports for these six months were twice as great as exports.

There is another social and economic evil which affects Bulgaria more than any other country—the presence of refugees. During the last twenty years, the number of refugees from Bulgarian territory under foreign domination has exceeded 400,000. The exodus *en masse* began particularly from 1913 onwards. More than 160,000 of these unfortunates without a home and without money who have come to find a refuge in a dismembered Bulgaria are entirely dependent upon State support.

Before the war Bulgaria was in a prosperous financial and economic position, and was able to maintain those refugees. But at the present time the precarious state of her finances and the heavy burdens imposed upon her make it quite impossible for her to continue to support them. The presence of these refugees—who are a source of great anxiety to the Government from every point of view—prevents the economic development of the country and overburdens the State budget, which is already in a very precarious condition.

It is accordingly essential that these refugees should be enabled to return to their homes and resume their normal life of peaceful industry. Thus they will be able to contribute to the economic development of the countries in which they live. The Emigration Convention imposed upon Bulgaria at Paris by Greece<sup>36</sup> is so complicated and overburdened with obligations for the two contracting parties that it is almost impossible to put it into operation, even if its restrictions regarding refugees are neglected.

The above statements show that if Bulgaria is to be able to restore her economic condition, to raise her production to its former level, and to develop her foreign trade normally by applying the resolutions drafted by the

<sup>36</sup> This Convention, which dealt with the emigration of racial, religious and linguistic minorities, was signed on November 27, 1919 (see Cmd. 589 (1920)).

economic sub-commissions, it is very necessary not only that her request for the complete postponement of the payment of her financial obligations under the Peace Treaty should be granted, but also that the following conditions should be guaranteed:—

1. With regard to their international trade relations and trade operations, all these countries must be treated on a footing of absolute equality and must be allowed to enjoy right of reciprocity.
2. Her natural outlet on the Ægean Sea, promised by the Peace Treaty, must be restored to Bulgaria.
3. The clauses of the peace treaties and the conventions relating to the protection of minorities must be applied.
4. Bulgaria should be accorded a substantial international credit.

These requests formulated by Bulgaria are entirely in conformity with the spirit and the objects of the Genoa Conference, to which Bulgaria appeals for its valuable help and assistance.

#### ANNEX P TO NO. 121

*Letter from the Turkish Delegation (Angora) to the Secretary-General of the Conference.*

ROME, April 18, 1922

The refusal with which the request of the Russian delegation concerning the invitation to Turkey to participate in the Genoa Economic Conference has just been met<sup>13</sup> renders the exclusion of that State from the conference final.

As the chief object of the conference is to find means for the restoration of a real peace, the exclusion of Turkey and the admission of Greece, which has undertaken acts of aggression against Turkish rights and territories with flagrant disregard of all right and equity, constitute an injustice, which is the more flagrant as the participation of Greece in the conference is in direct contradiction with the decisions of the Cannes Conference, which were unanimously accepted as the basis for the discussions at Genoa, as long as Greece has not evacuated Turkish territory occupied by her. This exclusion of Turkey and admission of Greece will not fail to cause a very painful impression in Mussulman and Asiatic circles, which will attribute the difference in treatment allotted to Turkey and Greece respectively to the intention of the Allies to apply the principles proclaimed at Cannes in a different way according to circumstances and the parties concerned.

The delegation of the National Assembly of Turkey at Rome, while protesting strongly against such treatment, has the honour to inform the Genoa Economic Conference that the Government of the National Assembly of Turkey declares that it retains full freedom of action with a view to the protection of its economic interests.

ANNEX Q TO NO. 121

*Letter from the Albanian Delegation to the President of the Conference.*

*April 24, 1922*

The Albanian delegation to the Genoa Economic Conference has the honour to communicate to you the enclosed memorandum, which it has drawn up for presentation to the conference, concerning the economic and financial situation of their country, and indicating means for its amelioration.

The Albanian delegation asks you to take any action which may seem to you appropriate in the matter.

ENCLOSURE

*Memorandum.*

*April 24, 1922*

After a struggle against foreign domination which has lasted for more than a century, the Albanian people has succeeded in obtaining freedom and independence, thanks to the solicitude shown by the Powers of the Entente and to the friendly intervention of the League of Nations.

This people, which belongs to the Indo-European race, has by a historic fatality been separated from the great European family during five centuries of Asiatic domination; it now presents itself, full of gratitude towards its benefactors, before this high assembly with a request for economic and financial support.

The wars which have been waged one after another on Albanian territory since 1912 have brought upon the country a ruin which arouses the compassion of all foreign travellers.

However, the geographical situation of Albania, her natural wealth, her long coast line and her four ports, Durazzo, St. Jean de Medua, Valona and Santi Quaranta, lend themselves to an economic development which would render Albania prosperous and would also benefit trade in transit between the West and the East. The four Albanian ports mentioned above are the nearest points by which Western civilisation can penetrate to the East.

Owing to this privileged situation of the country in antiquity large towns, which were centres of international trade, sprang up on the Albanian coast and have left behind them a glorious page in the history of world trade. Dyrahium (Durazzo), Appolonia, Helios (Alessio) and Ericum were the four great trade centres in the Balkans.

The new Albania desires to take up once again her historic mission both for her own benefit and that of the other peoples of the West; it is for this purpose that she needs to appeal to foreign capital.

The guarantees which she can offer are of a moral and material character. The moral guarantees arise from the chivalrous character of the Albanian people, who look upon the foreigner in Albania as sacred and inviolable. A debt is a formal pledge, and payment of a debt is part of the *Bessa*;

non-payment is lasting dishonour. It is sufficient to recall that in the annals of the Albanian courts there is no case recorded of fraudulent bankruptcy.

With regard to material guarantees, the Albanian State has at present a modest budget—18,000,000 gold francs; but its budget balances; Albania has no debts or paper money, and commercial transactions and payment of taxes are effected in gold and silver money.

Thanks to its practical common-sense, the Albanian people did not accept during the war the paper money of the troops of occupation.

According to enquiries instituted during the period of occupation by Italian and Austrian experts, and according to the report of Professor Novac, who was engaged by the Albanian Government to make a geological and mineral survey of Albania, Albanian territory contains an abundant supply of the following products: coal, oil, pyrites, amianthus, bitumen, lignite, chrome, kaolin, iron and copper. Albania possesses large forests of pines, firs, beeches and oaks and an abundant supply of water power. Albania further possesses 135 villages, the property of the State, with an area of 100,000 hectares, situated in the most fertile plains and near the sea.

The Albanian Minister of Finance is reorganising the present fiscal system, and hopes by means of the reforms which are to be introduced to obtain a surplus of at least 6,000,000 or 7,000,000 gold francs, which could be devoted to the payment of interest and amortisation of a loan.

We must add that the Albanian Government, in order to accomplish this financial reform, has already requested the League of Nations to procure for Albania the assistance of financial and administrative experts.<sup>37</sup>

In 1914 the Great Powers had promised Albania a loan of 75,000,000 gold francs. We now ask you to accord the Albanian Government a loan of 100,000,000 gold francs, to be devoted to the economic development of the country. This sum would be utilised for the following purposes:—

- (a) 30,000,000 francs for the creation of a national bank, under the management of a foreigner belonging to a neutral country.
- (b) 30,000,000 francs to facilitate the approach to the ports and to render habitable towns on the coast, such as Durazzo, Valona, St. Jean de Medua and Santi Quaranta, which are at present unhealthy owing to the marshes with which they are surrounded.
- (c) 40,000,000 francs for road-making and repairs.

The 100,000,000 gold francs would be levied and spent as the work progressed over a period of five years.

The Albanian people, who are desirous of abandoning the weapons of war for the implements of peace, are convinced that the inviting Powers of the Genoa Economic Conference will be willing to assist them in their noble effort for reconstruction by guaranteeing them the means of obtaining the loan required for this purpose.

<sup>37</sup> See *L/N.O.J.* 1922, pp. 434 and 523.



ANNEX R TO NO. 121

*Letter from the Montenegrin Minister for Foreign Affairs to the President of the Conference.*

ROME, April 10, 1922

I have the honour to ask you to be good enough to submit this protest and this request of the Government of the Kingdom of Montenegro to the high international assembly of which you are president.

In violation of the solemn engagements of the Allied and Associated Powers—in particular the pledges contained in the letters of M. Pichon, then Minister for Foreign Affairs, and M. Poincaré, President of the French Republic, which were addressed to the King of Montenegro in the name of the Allies, and declared that the sovereignty of Montenegro would be respected by the Allied troops—the Serbian Government and the Serbian army have treacherously and brutally occupied Montenegro and proclaimed by force its annexation to Serbia.

As a result of the armed resistance offered by the Montenegrin people to the invaders, this dreadful crime was, in spite of the persistent efforts of the Serbian Government, annulled by the decision of the Supreme Council of the 13th January, 1919: 'Montenegro shall be represented by a delegate, but the regulations concerning the appointment of this delegate shall not be determined until the political situation of this country has been made clear.'<sup>38</sup>

By this decision the Supreme Council annulled the forcible annexation of Montenegro by Serbia, and rejected the claim of the Serbian Government, which desired to pose as the representative of Montenegro at the Peace Conference. The Supreme Council thus confirmed once again the existence of Montenegro as an independent and sovereign State. As the above decision of the Supreme Council postponed the representation of Montenegro at the Peace Conference at Paris, the Montenegrin Government protested on the ground that this decision was a fresh injustice done to Montenegro. The Government showed that according to the constitution of Montenegro, and in conformity with international law, the right of representing Montenegro in its relations with foreign countries belonged to the King and the Government of Montenegro—at that time in France—who accordingly had the right to select and nominate the Montenegrin delegates to the Peace Conference, as the Kings of Belgium and Serbia and their respective Governments had done when in exile.

Further, the Montenegrin Government has demanded on several occasions that the political situation of Montenegro should be made clear, so that the people might be consulted under the supervision of an international commission, either by its legal Parliament, for which elections would have been held on the basis of universal suffrage, or by means of a plebiscite, which was not refused even to the populations of provinces which were formerly

<sup>38</sup> Cf. *F.R.U.S., Paris Peace Conference, 1919*, vol. iii, p. 546.

Austrian and German—Carinthia, Slesvig and Silesia. This request was again formulated by the Montenegrin Government in its memorandum of the 8th April, 1920,<sup>39</sup> addressed to the Peace Conference, which was then sitting at San Remo.

As a result of the machinations of the Serbian Government, and because of the protection accorded to the latter by a member of the Supreme Council, this request of Montenegro has not yet been granted. Not only was this request, which placed the wishes of the Montenegrin people above every other consideration, not granted, but the pledges given to the Montenegrin people by the Supreme Council in its message of the 27th January, 1919,<sup>40</sup> were not fulfilled. In this message the Supreme Council, through the King and Government of Montenegro, 'asked the Montenegrin people to remain quietly in their homes and not to oppose by force the troops (Serbian) which were endeavouring to seize Montenegro'. In the same message the Supreme Council guaranteed that the Montenegrin people would be given very shortly an opportunity to decide freely on the form of their future Government.

The same guarantee was given by the British Government, and confirmed by the Under-Secretary of State for Foreign Affairs, Mr. Harmsworth, in a statement in the House of Commons on the 11th November, 1919.<sup>41</sup> The French Government gave similar guarantees: M. Poincaré, as President of the Republic, stated in writing to the King of Montenegro on the 19th December, 1919, that 'France, faithful to her principles, and to the principles with which the Peace Conference is inspired, remains fully determined to respect the wishes of the Montenegrin nation, and to do nothing to oppose her legitimate aspirations. This is the spirit in which the Government of the Republic, in agreement with her Allies, will participate in the regulation of questions concerning Montenegro'.

Thus, in spite of the Serbian proclamation of the forcible annexation of Montenegro, annulled by the decision of the Supreme Council of the 13th January, 1919, and in view of the fact that no international decision modifying the situation in Montenegro has been taken subsequently, the latter continues to exist *de jure* as a sovereign and independent State, although its territory is still under the military occupation of Serbia. This provisional occupation of Montenegro by Serbian troops is merely a continuance of the conditions during the Austro-Hungarian occupation from January 1916 to November 1918. During the same period Serbia, under Austro-Bulgarian military occupation, and Belgium, under the German occupation, were in an exactly similar position. These two countries continued to exist *de jure* and *de facto*, and were recognised by the Allies, as was Montenegro herself,

<sup>39</sup> Extracts from this Memorandum were communicated to the Foreign Office by M. Plamenatz (President of the Council and Montenegrin Minister for Foreign Affairs) on November 27, 1920 (C12693 and C12801/105/19). An account of the Montenegrin question at the Peace Conferences is given in a Foreign Office Memorandum of April 18, 1923 (C7017/98/92).

<sup>40</sup> See *F.R.U.S.*, op. cit., pp. 642 and 662.

<sup>41</sup> See *H.C. Deb.*, 51., vol. 121, col. 329.

though their respective territories were occupied by enemy forces and their Governments were in exile.

The best proof that the situation of Montenegro is in no way different from her position under the Austro-Hungarian occupation, and that of Belgium and Serbia under the occupation of enemy forces, is provided by the statement of the Italian Premier, Signor Bonomi, in the Chamber of Deputies on the 23rd July, and in the Senate on the 2nd August, 1921, that 'the present *de facto* situation of Montenegro, imposed upon her by Serbia, has received no international sanction'.

Accordingly, from the international point of view, the position of Montenegro in the concert of European States, that is to say, her position as a member of the community of nations, is the position accorded to her both by previous international treaties and by the Treaty of Berlin of 1878,<sup>42</sup> signed by all the great European Powers.

Montenegro, accordingly, still exists as a sovereign and independent State, and as such has the right to participate in all international conferences in which all European States without exception take part.

Accordingly, I have the honour to protest strongly on behalf of the Montenegrin Government against the fact that the latter has not been invited to take part in the Genoa Conference from its inauguration. If it is not a question of accidental omission, it would constitute an arbitrary act and an injustice which should be put right immediately by the conference itself. In any case, the Montenegrin Government protests strongly against such a mode of procedure. It considers that it is the legal and *de facto* representative of Montenegro and the people of Montenegro, and that no one can deprive it of the right to take part in the meeting of all European States at Genoa. It can only be deprived of this right by an international decision concerning the possible disappearance of Montenegro as a sovereign and independent State; that is to say, this right can only be withdrawn by formal amendment of the international treaties by which the existence of the country as an independent and sovereign State had been ratified and guaranteed. The Supreme Council itself cannot arrogate to itself the right to decide, even collectively, which, as a matter of fact, was not the case, that the State of Montenegro should cease to exist. Montenegro is an Allied State, and as such, fighting side by side with the Allies, lost in the war half of her army and a third of her population. Further, even the international tribunal, which will have to regulate the position of Montenegro, cannot neglect the universally recognised principle of the right of self-determination of the Montenegrin people; for the approval of the annexation of Montenegro by Serbia, without consulting the Montenegrin people, and against its wishes, would constitute the greatest crime of the world war.

For this reason, taking no notice of the fact that Montenegro has not been invited to take part in the Genoa Conference, the Montenegrin Government has decided to send a delegation for the purpose of watching over the interest of Montenegro and her people. The members of the delegation are as

<sup>42</sup> See *B.F.S.P.*, vol. 69, pp. 749-67.

follows: General Miloutin Voutchinitch (Premier and Minister of War), Yovan S. Plamenatz (former Premier and former President of the Parliament), Dr. Pierre Chotch (Minister for Foreign Affairs), General Anto Gvozdénovitch (Extraordinary Envoy and Minister Plenipotentiary), and M. Paul Popovitch (Minister Plenipotentiary).

The Government of Montenegro is firmly convinced that the international conference, inspired by feelings of justice, will not fail to come to an immediate decision concerning the formal invitation of the delegation of Montenegro to take part in the work of the conference on the same footing as all other European States.

## No. 122

S.G. 30B] *Note of a Conversation at the Hotel Miramare, Genoa, on Thursday, May 11, 1922, at 12.30 p.m.*<sup>1</sup>

PRESENT: *Great Britain:* The Prime Minister, Sir Laming Worthington-Evans, Sir C. J. B. Hurst, Sir Maurice Hankey.

*Italy:* Signor Schanzer.

M. SCHANZER read an advance summary he had prepared of the Russian Note of May 11th,<sup>2</sup> which, he said, was being reproduced at the Secretariat General.

On the conclusion of the reading of this summary, MR. LLOYD GEORGE remarked that it was a bad document and that the Soviet Delegation had gone back on their previous position.

M. SCHANZER said he had asked whether M. Chicherin would be ready to discuss some of the other questions which had been brought before the Conference, and he had replied in the affirmative. M. Schanzer had then asked him if he was ready to enter into a Pact of Non-Aggression, and M. Chicherin had replied that he was ready to conclude one. M. Schanzer had then asked him whether he was prepared to discuss the question of Bessarabia, and he had replied that he must make a reservation on this subject and that he could not recognise the Treaties of Peace though he would be glad to sign a pact of Non-Aggression.

MR. LLOYD GEORGE said that the policy of the Powers would have to be very carefully considered. M. Barthou would probably say that this document involved a break and amounted to a repudiation of the Cannes Resolutions.<sup>3</sup> He would have a good deal of reason for that statement because, in fact, the Soviet Government were repudiating Cannes to a certain extent. One of the difficulties was the question of reciprocity in regard to war claims.

<sup>1</sup> A handwritten note on this document read: 'Secretary's S.G. file—no distribution'.

<sup>2</sup> An English text of this Note is printed in Cmd. 1667 (1922), pp. 38-47, in Degras, pp. 308-18, and *F.R.U.S.* 1922, vol. ii, pp. 792-803.

<sup>3</sup> See No. 6, Appendix.

At this point, Mr. Lloyd George referred to a document<sup>4</sup> which he said he had prepared to meet this very eventuality, since he had anticipated a reply of the character of the document now before him—in fact he had prepared for the next step in anticipation of such a reply. He did not wish, however, to put forward this document officially until the policy had been discussed at a meeting of the Powers represented on the 1st Commission in whose name the document had been sent. Briefly the policy at the moment he was disposed to suggest was based on the general conclusion that the Russians could not accept the memorandum of May 2nd.<sup>5</sup> Their political difficulties in this respect were insuperable. Those of other governments in regard to debts, property, etc., were also insuperable. Consequently, he was in favour of beginning by a statement that all the Powers had accepted the Cannes Resolutions as the basis of their policy; then proceed to say that certain matters required further investigation, e.g. credits, debts, private property, and that separate Commissions should be appointed by the Genoa Conference to examine and report on these. While such enquiry was proceeding, it was essential that there should be no aggression by any State against another State's frontiers. Enquiry would be impossible in a State of quasi-hostilities. Further, he would lay down that there should be no propaganda on either side against the other, as well as no attack on the frontiers. During this period there should be a Pact of a temporary character until a general Treaty based on the results of the enquiries was signed. (At this point Sir Laming Worthington-Evans entered). The Pact would be temporary in character and would apply to the boundaries as at present recognized in practice. As regards private property, there should be separate national Commissions to negotiate with Russia with a co-ordinating Committee to settle principles. Only such legal recognition should be granted as would be necessary to carry out the proposals he had formulated. In the meanwhile a juridical system would be set up in Russia.

Mr. Lloyd George then handed M. Schanzer a document<sup>6</sup> which had been prepared embodying the above principles.

M. SCHANZER said that his only doubt was whether this proposal would not postpone agreement being reached with Russia for a long time. He asked if it would not be practicable to reserve the right for each country to make separate agreements. He concurred that the liquidation of the past was a matter which must be agreed between the States interested, but as regards the future he would like to reserve the right of making separate agreements.

MR. LLOYD GEORGE suggested that a clause might be put in allowing individual governments to make their own agreements.

<sup>4</sup> See No. 120, Appendix.

<sup>5</sup> See No. 108, Annex 11.

<sup>6</sup> This was a re-draft of the Memorandum (see No. 120, Appendix) which was discussed at the 77th Conference of the British Empire Delegation on May 10, 1922, at 3 p.m.; another re-draft of the original memorandum was examined by the 78th Conference of the British Empire Delegation on May 10, 1922, at 10 p.m., when further amendments were made.

SIR LAMING WORTHINGTON-EVANS suggested that this should be limited to trading agreements.

M. SCHANZER said he already had a trading agreement with Russia,<sup>7</sup> but would like to expand it.

MR. LLOYD GEORGE suggested that M. Schanzer should reserve his right to make agreements for the future.

Mr. Lloyd George then left M. Schanzer to give him an opportunity to read the document at his leisure.

M. SCHANZER, after reading the document, said it was an excellent document, but as the result of his conversation with M. Chicherin he felt doubts as to some parts of it. M. Chicherin had referred to a proposal made by M. Skirmunt for the appointment of a Commission to investigate the conditions in Russia.<sup>8</sup> M. Chicherin had rejected this. Consequently he was afraid that M. Chicherin would never accept the appointment of Commissions to work in Russia. He liked the early part of the memorandum, dealing with a Pact of Non-Aggression, and he thought M. Chicherin would accept that, but he thought he would have the strongest objection to the working of Commissions in Russia.

MR. LLOYD GEORGE said that the passages relating to the Commissions working in Russia might be omitted. His document was only a tentative draft and it would be necessary to revise it after he had seen the Russian Note.

SIR LAMING WORTHINGTON-EVANS, to whom Sir Maurice Hankey had read M. Schanzer's summary, said that the document was a very bad one and made any agreement as difficult as possible. The only helpful portion was the passage relating to conciliation at the end.

MR. LLOYD GEORGE suggested that the Powers who had sent the memorandum should meet on the following day and consider their attitude. He would then propose the policy he had outlined to M. Schanzer. He would propose, however, not to put forward any document until after that discussion.

M. SCHANZER said it was important to take out the references to the Commissions working within Russia on page 1 and in clause 5.

MR. LLOYD GEORGE agreed.

M. SCHANZER suggested that in clause 9 words should be suggested to the effect that this was without prejudice to trading agreements, since credits might be given through the medium of trading agreements. He repeated that the first part of the memorandum appealed to him, but as regards the second part he thought it would be more practical to accept generally the proposals of the Soviet Delegation for a Commission without going into so much detail.

SIR LAMING WORTHINGTON-EVANS said that the idea of the present draft

<sup>7</sup> A preliminary agreement between Italy and Russia concerning political and economic matters was signed on December 26, 1921 (see Slusser and Triska, *op. cit.*, p. 28) and was to be made definitive by June 26, 1922 (see No. 130, below).

<sup>8</sup> See No. 112.

memorandum was that it could be so shaped as to fit in with any proposal in the Russian memorandum.

M. SCHANZER said that if part of the Russian proposal was accepted they would be the more disposed to accept part of the Allied proposal.

MR. LLOYD GEORGE said that he attached importance to the three Commissions, because the subjects that they dealt with were entirely different.

M. SCHANZER said that practically Mr. Lloyd George's memorandum accepted the proposal for a Commission. It would give satisfaction to the public opinion of the Soviet Government if their proposal in its main outline were adopted.

MR. LLOYD GEORGE thought some means might be found for meeting this view by suggesting that there was a good deal to be said for the proposal for a Commission of Experts.

SIR LAMING WORTHINGTON-EVANS thought that some words from the Russian reply might be introduced into the introductory part of the reply of the Powers.

M. SCHANZER pointed out that in any event there would be a very difficult position *vis-à-vis* France who would almost certainly propose to break on this memorandum. If the Russian proposal for a Commission could be accepted by the States on the First Commission, then France would stand alone. He agreed that it was unavoidable to protest against the breach of the spirit of the Cannes Resolutions contained in the memorandum. The Russians denied any obligation in regard to debts and property, but stated that in a practical way they would make great concessions in order to obtain credits. He agreed that the reply must recall the acceptance of the Cannes Resolutions. Afterwards, the reply might express agreement in the proposal for a Commission.

MR. LLOYD GEORGE thought that someone should see the Russians and put to them that this was a question of whether a break was to occur or not. The memorandum might be put forward as a final effort. If the Russians could not accept it, then a break was inevitable. The memorandum he had shown M. Schanzer would be redrafted. It was no use making a great fight for a new policy if the Russians would only reject it.

M. SCHANZER thought that the position was very difficult in view of the rejection by the Russians of the spirit of the Cannes Resolutions. He suggested there should be a much shorter reply.

MR. LLOYD GEORGE pointed out that it was no use appointing Commissions unless they had some instructions.

M. SCHANZER said he would be prepared to accept a considerable part of Mr. Lloyd George's document, but there were some points which he thought would be difficult for the Russians.

MR. LLOYD GEORGE said it was very important that someone should see the Russians and sound them as to the document.

M. SCHANZER suggested that before anything was done the first thing was to read the Russian reply in full as he had only given a short summary.

Then they might meet and draw up a short document. After that, perhaps someone might be sent to show it to the Russians.

SIR LAMING WORTHINGTON-EVANS asked if M. Schanzer could not see M. Chicherin himself.

M. SCHANZER thought that the French would be nervous and suspicious if he did.

MR. LLOYD GEORGE greatly regretted that M. Jung was not available.

M. SCHANZER said that M. Giannini could take the draft.

MR. LLOYD GEORGE said that perhaps he himself could send someone with M. Giannini. He thought that the question of war debts was rather slurred over in his memorandum. He suggested that Articles 5 and 6 of the document of the London Experts<sup>9</sup> might be taken and a draft passage based on them included in the memorandum.

SIR LAMING WORTHINGTON-EVANS said the trouble was that the Soviet reply repudiated the Cannes Resolutions.

MR. LLOYD GEORGE said this was not quite the case. The Soviet representatives said it was necessary to take the Cannes Resolutions as a whole.

M. SCHANZER said that if the discussions were continued on principles he was afraid agreement would never be reached.

(SIR CECIL HURST entered at this point).

SIR LAMING WORTHINGTON-EVANS then explained to Sir Cecil Hurst that they desired to have a new passage drafted for the memorandum to be based on Articles 5 and 6 of the Cannes Resolutions.

The meeting then adjourned.

*Hotel Miramare, Genoa, May 11, 1922.*

<sup>9</sup> See No. 56, Appendix.

## No. 123

I.C.P. 247J] *British Secretary's Notes of a Conversation at the Hotel Miramare, Genoa, on Thursday, May 11, 1922, at 6.30 p.m.*

PRESENT: *British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P.,  
The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P.,  
Sir Edward Grigg, K.C.V.O., C.M.G., Sir Maurice Hankey,  
G.C.B.

*France*: M. Barthou, M. Massigli, M. L'Amirault, M. Camerlynck.

*Italy*: Signor Schanzer, Dr. Giannini, The Marquis Visconti Venosta.

### *The Russian Note of May 11.<sup>1</sup>*

1. M. BARTHOU said that he was only able to express his own opinion, since he did not yet know the view of the French Government. His own opinion was that the note was bad.

<sup>1</sup> See No. 122, n. 2.



MR. LLOYD GEORGE agreed that the note was bad. It was a characteristic of Chicherin that he never could resist the temptation to write a polemical document. This had been his attitude in the case of the trade agreement until M. Krassin had interfered and undertaken the negotiations, after which agreement had been reached. M. Chicherin, however, was always intervening with this kind of document. Whatever was done in practice, it was impossible to allow such a document to go without a reply. It was a very dangerous document, and the first part was very powerfully written.

M. BARTHOUS said he had only read the document once, but this was precisely his own impression. It was a very clever propagandist document and very dangerous.

MR. LLOYD GEORGE agreed that it was a very dangerous document to allow to pass unchallenged. It was essentially dangerous, in an industrial country like Great Britain, to create the impression that for five weeks the Powers had been engaged not in discussing the business before them, but in protecting the owners of property and bondholders, while neglecting the trade and industry of Europe. It was scarcely less dangerous in France, where there must be an industrial population of some millions. It was impossible to allow such a document to pass without a very strong statement in reply.

M. BARTHOUS agreed, but in this case the substance would dominate the form, and the form would depend upon the attitude taken up on the question of substance.

MR. LLOYD GEORGE said this was not quite the case. Whatever was done in substance, the reply should be in the form of a mordant, incisive, strong document. It could be pointed out that the Powers had up to now avoided polemics. Whatever was done, this part of the document could not be allowed to go unchallenged.

M. BARTHOUS said that the Powers ought to reply not only on that question, but on other issues which had been put by the Russians, who had made many affirmations that could not be allowed to pass unchallenged. It was necessary, however, to consider the question of substance, namely, whether the discussions were to be continued or broken off. He could only give a personal answer to-night, but on the following day he would hope to give an answer from the French Government.

MR. LLOYD GEORGE asked if M. Barthou was willing to give his impressions, or if he would like to hear his own.

M. BARTHOUS said that Mr. Lloyd George was a Prime Minister and could state the opinion of his Government, but he himself was only a first delegate, and would have to reserve his reply until the following day, when he had consulted his Government. His personal opinion was of no special interest, as on such a vitally important matter only that of the Government mattered. On the following day he would be able to give Mr. Lloyd George his reply. He would be willing then to meet Signor Schanzer, Mr. Lloyd George and the delegates of the other Powers on the First Commission, other than Russia and Germany, and would express the opinion of the French Government, but he would be glad to hear now what Mr. Lloyd George had to say.

MR. LLOYD GEORGE said he had had the advantage of discussing the question with his colleagues, who included two Ministers,<sup>2</sup> and he had also asked Signor Schanzer to come here to meet M. Barthou. His view, and that of his colleagues, was that it was no use attempting to have a complete agreement with the Russians at Genoa after the receipt of this document. It would be mere waste of time to go on discussing terms and conditions. In saying this he spoke as one who had been sincerely anxious for an arrangement. He was in the habit, however, of facing facts, and he had come to the conclusion that it was impossible to make an arrangement. He thought, however, that anything like a formal rupture would be a menace to Europe. It would leave Poland, Roumania, and perhaps Czechoslovakia, in a dangerous position. Hence, he would not like to have a rupture leading to a complete break. It would be too dangerous, particularly as there would be nothing coming out of the Genoa Conference on the political side except the Russo-German agreement. Therefore, he was disposed to accept an idea which had been promoted by Dr. Benes and M. Skirmunt, namely, to have one or more commissions to examine the question of debts, claims for private property and credits.<sup>3</sup> It was a question for consideration whether there should be a single commission or three commissions for these questions. Each of these questions involved different sets of people and different interests. For example, the bondholders, who were interested in the debts,

<sup>2</sup> See No. 122, n. 6.

<sup>3</sup> Cf. No. 112. In a private letter of May 11 to Mr. Chamberlain, Sir M. Hankey stated: 'We knew . . . that there had been a sedulous propaganda in favour of this idea of Commissions. Dr. Benes and Monsieur Skirmunt had both been propagating it and there is a strong suspicion, though it is not confirmed; that its origin was with the French Delegation. For some time Dr. Benes had been rather avoiding our Delegation, and we think that he has been acting, as the Prime Minister put it, "as a little jackal for the French". We know also that Dr. Benes and Monsieur Skirmunt have been seeing a good deal of the Russians. I have also heard the idea of Commissions mentioned by the Secretary-General and by the American Ambassador in Rome whom it would suit admirably. In fact on Sunday the Prime Minister lunched with the American Ambassador [see No. 117] who was very keen on this idea of Commissions. Of course it would give the Americans time to see how the cat was going to jump and to come in or not as they wished. The Prime Minister asked the Ambassador whether the Commissions would go into the questions of War Debts, Private Debts and Private Property. The Ambassador replied in the affirmative. Then the Prime Minister said: "But I suppose the decisions would have to be taken by Governments, would that not involve a Conference?" The Ambassador agreed that it would. "Who would call the Conference?" asked the Prime Minister. "Neither Italy nor France nor Great Britain. Would America summon it?" The Ambassador replied that his Government might. [Cf. *F.R.U.S.* 1922, vol. ii, pp. 789 ff.]

'At first the Prime Minister was opposed to this idea of Commissions. He regarded it as merely an attempt to gloss over the failure of the Genoa Conference. He felt that such a Conference could never be got together again, and that peace would not be re-established in Europe. The interminable series of wars and rumours of wars in Eastern Europe would continue. In such circumstances the results of Genoa within the technical spheres to re-establish trade would lead to nothing. Nothing would be done to contribute towards the solution of our own Unemployment problem.

'However, his ingenious mind got to work, and he has been preparing a plan to turn this development of the situation to advantage.'

were not much concerned with property and credits, and the same applied to the latter questions, which had not much to do with the bondholders. Then it was essential to obtain some sort of guarantee against attack for Roumania, Poland and Czechoslovakia. It was no use for these commissions to work when Russia was massing armies on the frontiers or when propaganda was going on. He would therefore favour the idea expressed in the Russian document for the appointment of a commission to examine these questions, on the understanding that there should be a guarantee that no attack would be made on existing boundaries. In reply to the interpreter, he said that the arrangement would not be unilateral, but binding on all the parties. Under the proposed pact of non-aggression he would provide not that existing boundaries should be regarded as settled, but that they should be respected during the time that the enquiries were proceeding, and he would insist that there should be no propaganda by the Russians against the other Powers, or, *vice versa*, by the other Powers against Russia. In any event, however, he would have a strong reply of a propagandist character, concluding with the proposal he had just outlined.

M. BARTHOU, before replying to Mr. Lloyd George's suggestion, said he would like to ask one question, viz., where would the proposed commissions meet?

MR. LLOYD GEORGE said he did not mind.

M. BARTHOU asked whether it was proposed that the Genoa Conference should merely continue working through commissions.

MR. LLOYD GEORGE replied in the negative.

M. BARTHOU said he felt more at ease in view of this reply, and he was very glad that Mr. Lloyd George had said what he had said. In substance, Mr. Lloyd George had expressed his personal view. It was better that the idea should come from Mr. Lloyd George, who had, to a great extent, been the father of the conference. If he had not brought the child to full life it was not his fault, and no one could say he was responsible for it. So far as the French delegation was concerned, he had done his best to collaborate for the success of the conference. In public life, however, it was necessary to recognise situations as they were. He agreed that the Russian delegation's note made an agreement at Genoa with the Soviet delegation quite impossible. There were two things to be done: first, to vindicate the position and propaganda of the Powers and to prove that the failure of the conference was not their fault; second, as Mr. Lloyd George had said, to examine the questions, taking the necessary time for it, while giving to Roumania, Poland and Czechoslovakia (though she was less seriously menaced) the necessary and indispensable security from attack. Meanwhile an enquiry could be pursued. He would, however, ask Mr. Lloyd George not to press him for an answer at the moment, though personally he was favourable to the idea. In conclusion, M. Barthou said that he assumed that it was not contemplated that the Russians should be represented on the commissions.

MR. LLOYD GEORGE pointed out that the Russian note proposed mixed commissions.

M. BARTHOU said he had overlooked the point. That, however, made the matter more difficult.

MR. LLOYD GEORGE pointed out that this might be an attempt on the part of the Russians to reach an agreement in regard to debts and property. He thought it just possible that an agreement might be reached, but this was not possible unless the Russians were represented on the commission. It was an attempt on the part of the Russian delegation to reach an agreement in regard to credits, property and debts, and the proposal was that the commission should report to the various Governments. It was just conceivable that an agreement might be reached, but he did not see how this could possibly be done without bringing the Russians into the commission. In fact, there would be no point in having the commissions without the presence of the Russians.

M. BARTHOU pointed out that there were two sets of Russians: there were the Russians of the period before the arrival of the present letter, and the Russians who had written the letter now under consideration. If they had merely said: 'We have met, we have agreed on certain questions, but we think a further enquiry is necessary,' it might have been possible to deal with them. Unfortunately, they were not this sort of Russians. In the present note they went back on everything. There was not one question on which they had not gone back, including even the Cannes resolutions.<sup>4</sup> They even referred to the memorandum<sup>5</sup> which the sub-commission had unanimously rejected.<sup>6</sup> There was no doubt that this memorandum would produce a most serious effect on public opinion. He must, therefore, ask Mr. Lloyd George to allow him to defer his opinion.

MR. LLOYD GEORGE said that the impression made by the memorandum was rather curious. His own first impression had been very similar to M. Barthou's. There had, however, that afternoon been a meeting with the British press, and Sir Edward Grigg reported to him that the impression of the press was rather good. There had been present a representative of the 'Wall Street Journal,' who had considered that the memorandum would form a basis for discussion: consequently, the impression was not altogether bad. It was true that the Russians did not acknowledge the *right* of property or of the bondholders, but they said they were willing to discuss the payment of bondholders and the question of property, and they specifically accepted on the face of the document the third of the Cannes conditions. It was only that the document was written by three hands: M. Chicherin had probably written the first part, and the last part had been written by two practical men—M. Krassin and M. Litvinoff. It was probably they who had inserted the acceptance of the third Cannes resolution, and had put in the statement that they were ready to discuss the question of property and bonds. They even said they were ready to meet the small bondholders and small property holders. This was a most extraordinary thing, and was not a repudiation of the Cannes resolutions.

M. BARTHOU said it was a very clear document and very well drawn up.

<sup>4</sup> See No. 6, Appendix.

<sup>5</sup> See No. 89, Annex I.

<sup>6</sup> See Nos. 86 and 89.

Nevertheless, his first impression was very bad, though he had only read the memorandum once. It so happened that there had been some material delay in supplying him with the memorandum, and the Minister for Foreign Affairs of a neutral Power had been with him at the moment it arrived. They had gone through it together, and the Minister of the neutral Power had remarked that he had expected to find in the document certain ayes and certain noes, but in reality it contained nothing but noes. This Minister, therefore, had formed the same impression which he had, which differed from that of the British journalists.

SIGNOR SCHANZER said he agreed with Mr. Lloyd George that it was necessary to distinguish the document and its conclusion. The document was bad, but the conclusion was not so bad. The document concluded by the proposal for the nomination of a commission to carry on the investigation. He agreed with Mr. Lloyd George that it was necessary to include the Russians in the commission, otherwise it would make any conversation with them impossible. He would only draw M. Barthou's attention to the very great political difficulty there would be in a rejection of the proposal for the commission. He must take exception to what M. Barthou had said about the failure of the conference. He was not speaking merely as the acting president of the conference who took pride in its work, but this document proved the contrary to what M. Barthou had said. It was a matter of great importance that the Russians should have included the following passage at the end of their document, which he then proceeded to read:—

‘If, nevertheless, the Powers desire to examine the solution of the financial disputes between themselves and Russia, inasmuch as this question demands a deeper study of the nature and extent of the claims presented to Russia and a more exact appreciation of the credits that could be placed at her disposal, this task might be entrusted to a mixed commission of experts appointed by the conference whose work should begin at a date and in a place to be determined by mutual agreement.

‘The Russian delegation observes that the great obstacle which has, up to the present time, impeded the labours of the conference, is the fact that the idea of reciprocity expressed above is not yet sufficiently shared by all the Powers. But the Russian delegation cannot refrain from emphasising the fact that the negotiations which have taken place have opened the way to a rapprochement between Soviet Russia and other Powers. The Russian delegation is of opinion that the disagreements which have arisen in the course of the solution of the financial differences between Russia and the other Powers ought not to constitute an obstacle to the solution of other problems which can and ought to be solved here at Genoa—problems interesting all countries—and especially the problems involved in the economic reconstruction of Europe and of Russia and the consolidation of peace. Russia came to the conference with conciliatory intention, and she still hopes that her efforts in this direction will be crowned with success.’

In substance he felt that it was politically impossible to reject the Russian

proposal as stated above. He agreed that they must reject the first half of the Russian memorandum, but to reject the proposal and continue the examination of these questions would be neither possible nor prudent. They could not take responsibility before the whole world of rejecting the proposal and breaking off negotiations. They might consider the form in which their acceptance should be given, but in substance it was too dangerous to reject the proposal.

M. BARTHOU said that when he spoke of the failure of the conference he did not mean complete failure, but merely that they had not succeeded in reaching the aim they had all had in view. He agreed with Signor Schanzer that the conference had been very useful and had produced fruitful results. There were now two proposals. One was a proposal of Mr. Lloyd George that they should entrust to experts the preparation of a work on the financial side of the Russian question. The other proposal, which arose out of the Russian reply, was of rather a different character, that they should continue in Genoa to discuss the problems touching the reconstruction in the economic sphere of Europe and of Russia. It would, however, be impossible to have a commission studying the financial questions and a prolongation of the Conference of Genoa to discuss the reconstruction in the economic sphere of Russia and Europe. For the present, he would only say that he had come to this rendezvous as soon as he could, but he begged that he would not be pressed to commit himself.

Continuing, M. Barthou said that they ought to be careful what they discussed that afternoon, as there were other Powers concerned in the question, such as the Belgians and Japanese. They would have to be careful to avoid doing anything which might excite their jealousy.

MR. LLOYD GEORGE said that the three largest Powers were surely entitled to an informal conversation of this kind. He had not suggested that conclusions should be reached to-day, but he had merely desired an interchange of views so that when they met in sub-commission they would have some idea of the views which each held. In the sub-commission, everything was apt to be made public. If the discussions in the sub-commission ended in a struggle with Belgium and France on the one side and Great Britain on the other, it would be a disastrous end to the conference, more particularly as it would leave Germany and Russia together. He agreed, however, that they should meet on the following day as a political sub-commission.

M. BARTHOU asked that the meeting might not be in the morning.

MR. LLOYD GEORGE asked when M. Barthou would be ready.

M. BARTHOU said he would be ready in the afternoon.

As regards any communication to the press, he urged that Mr. Lloyd George's suggestion should not be made public. He did not wish to tie his hands until he had had an opportunity to discuss the matter with his Government. He would be ready to speak on the question on the following day. He thought it would be sufficient to tell the press that he and Signor Schanzer had met Mr. Lloyd George at the Hotel Miramare, and discussed the situation arising out of the Russian note.

MR. LLOYD GEORGE said he trusted he was not presuming, but he did hope that M. Barthou would press for a free hand to discuss the question on the following day. It would be very awkward if he came to the sub-commission with his hands tied and was merely a postman. It was essential that they should have a real exchange of views on the following day which would be most useful.

M. BARTHOU said that this was understood.

SIGNOR SCHANZER said he would only suggest that they should not pretend that they had met at the Hotel Miramare by a mere chance, but should state to the press that they had met for an exchange of views on the Russian document.

M. BARTHOU remarked that Mr. Lloyd George suggested that the Russian memorandum had many fathers. Was it possible that Signor Schanzer was the father of the last part?

SIGNOR SCHANZER said that if that had been the case it would not be such a bad child after all.

MR. LLOYD GEORGE asked who would undertake to draft a reply to the propagandist part of the Russian document. It should be someone with a good pen, since millions of working men would be reading what was written.

SIGNOR SCHANZER suggested that M. Barthou should undertake the draft, and that he and Mr. Lloyd George should amend it.

M. BARTHOU urged that Mr. Lloyd George should undertake it.<sup>7</sup>

<sup>7</sup> In his private letter of May 11 (see note 3) Sir M. Hankey reported: 'As I anticipated, I have been continuously busy since the receipt of the Russian reply and I am just off to the Prime Minister's Villa to work until the early hours of the morning, so I shall probably not even be able to sign this letter. I feel, however, that it is only right to give you some preliminary impressions.

'The Prime Minister met Monsieur Barthou and Signor Schanzer for an informal talk this evening and outlined his impressions. These were to the effect that the propagandist part of the document renders requisite a very mordant reply, and this is already in course of preparation. We never raised these propagandist issues in our document; in fact, we deliberately refrained from doing so. Since, however, the Russians have raised them, it is absolutely vital that they should not be allowed to pass unchallenged and the theories they set forth must be knocked completely out of time. Both he and Signor Schanzer were agreed, however, that the Russian proposal for a Commission should not be rejected out of hand. In fact, the suggestion fits in with an idea which the Prime Minister himself has been working out. This put very briefly, is to the effect that a Commission or Commissions should be set up by the Genoa Conference to study the questions of debts, property and credits after the conclusion of the Conference and that in the meantime there should be a provisional Pact of Non-Aggression—in fact, a sort of Truce of Non-Aggression which should operate while the Commissions are sitting. It would be impossible for these Commissions to pursue their work if armies were massing on the Russian frontiers. For the same reason there must be an agreement to cease propaganda while the Commissions are sitting.

'This is all I have time for now, but it will give you an idea of the way things are working out. Monsieur Barthou said that the Prime Minister's idea fitted in exactly with his own, but he demurred a bit at the idea of the Russians sitting on the Commissions. He said, however, that this was purely personal and that he must wait until to-morrow when he has heard from the French Government, before giving any official reply.

'We have been hard at work on the reply to the Russian document all the evening. I

(It was agreed that Signor Schanzer should call a meeting of the Sub-Commission of the First Commission other than the Germans and Russians on the following afternoon at 3.30 P.M.)

*Hotel Miramare, Genoa, May 11, 1922.*

enclose a copy of the Russian Note [see No. 122, n. 2]—they are just finishing the revised translation, which I think you can rely on.'

'P.S. I confess the Russian Note made my blood boil, but I like the P[rime] M[inister]'s plan for dealing with it immensely.'

## No. 124

I.C.P. 247K] *Note of a Conversation at the Villa d'Albertis, Genoa, on Friday, May 12, 1922, at 2.45 p.m.*

PRESENT: *British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P.,  
The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P.,  
Sir Philip Lloyd-Greame, K.B.E., M.C., M.P., Sir Cecil Hurst,  
Sir Sydney Chapman, Sir Maurice Hankey, G.C.B.

*Holland*: M. van Karnebeek.<sup>1</sup>

*Poland*: M. Skirmunt, M. Ciechanowski.

*Roumania*: M. Bratiano.

*Serb-Croat-Slovene State*: M. Ninčić.

*Sweden*: Dr. Udden.

*Switzerland*: M. Motta.

### *The Russian Note of May 11.*<sup>2</sup>

MR. LLOYD GEORGE said that on the previous evening, after receiving the Russian document, he had met M. Barthou and Signor Schanzer, and had exchanged views with them.<sup>3</sup> He thought they were fairly well in agreement. M. Barthou had said, very fairly, that he could not express more than his personal view without reference to Paris. There was, however, no disagreement as to the general line to be taken. All felt that the Russian document meant that it would be impossible to conclude an arrangement at Genoa. It was evident that the Russian delegation dared not face Moscow with an acceptance of the terms, whatever their personal views might be. Hence they must proceed on different lines in order to reach an arrangement. On the other hand, it would be very dangerous to have a rupture. If this took place, things would be more dangerous than they had been before, when at any rate there had been hope of an agreement. The situation would be aggravated by the fact that there remained the Russo-German treaty. If a complete rupture occurred, no one knew what a people might do when stricken with famine and in despair. There were certain countries which were very much threatened in such an eventuality, and, consequently, there should not be a rupture.

<sup>1</sup> Netherlands Foreign Minister.

<sup>2</sup> See No. 122, n. 2.

<sup>3</sup> See No. 123.



A proposal had been made (and in reply to the interpreter Mr. Lloyd George admitted that he had made the proposal) which, on the whole, had been very favourably received. This proposal was that there should be two documents, one of which should challenge the propagandist features of the Russian document and reply to them very sharply; the second document should contain definite suggestions for getting out of the *impasse* in which they were placed.

M. MOTTA asked if Mr. Lloyd George intended a document in two parts, or a single document?

MR. LLOYD GEORGE said he preferred two documents, although he did not think it mattered very much. As to the actual proposals, he had put forward the following suggestions:—That a commission or commissions should be appointed—mixed commissions, in which the Powers and Russia would both be represented—to discuss the following questions: debts, private property, credits. Whether there should be one or more commissions was a matter for discussion, but it was a very practical question. These commissions should set to work immediately, and somewhere outside of Russia, because he understood that the Russians were apprehensive of espionage. In any case he would be sorry for the members of the commissions if they had to go into Russia, which was stricken with typhus, especially as there were one or two friends of his whom he wished to put on the commissions. The next point was that it was very important, while the commissions were proceeding with their investigations, that there should be no acts of hostility or menace to disturb the atmosphere in which they worked. There must neither be propaganda nor frontier incidents, nor massing of troops which threatened the security of any State. He had therefore proposed that, pending the enquiries of the commission, there should be a provisional pact of non-aggression, based on the *de facto* boundaries. The question of the frontiers should not be regarded as settled permanently by this provisional pact of peace, but he proposed merely that the *de facto* boundaries should be respected by Russia and by the other countries concerned, that there should be no propaganda by either side, and no act of aggression while the commissions were at work. Another provision which might be inserted was that Russia should set up financial and juridical guarantees for foreign capital invested in Russia. This might be the subject of enquiry by another commission. That was the whole of his proposal.

M. NINČIĆ asked if the Genoa Conference would be regarded as ended while the commissions were at work?

M. BRATIANO replied 'yes'.

MR. LLOYD GEORGE said that the Genoa Conference would be wound up if this agreement was signed.

M. VAN KARNEBEEK asked if the idea was not to provide for a continuation of the contact with Russia which had been established at Genoa, and for the pursuance of further investigations?

MR. LLOYD GEORGE said this was so, but the contact was not to be pursued by continuing the Genoa Conference.

M. VAN KARNEBEEK said that the contact, as he understood it, was continued in a different form. He asked, however, what would be the mandates to the commissions; would the members of these commissions work on the basis of some general instructions, or on instructions from their respective Governments?

MR. LLOYD GEORGE said that the commissions would attempt to reach agreement with Russia.

M. VAN KARNEBEEK said that the discussions must have a basis.

MR. LLOYD GEORGE said their basis would be to reach an agreement.

M. VAN KARNEBEEK pointed out that the difficulty would be considerable in a matter such as private property, where views differed very materially.

MR. LLOYD GEORGE explained that M. Krassin had told him that in 90 per cent. of the actual cases there should be no difficulty in restoring the actual property of the previous owners. If so, the commissions should have no difficulty in reaching agreement. They would deal with individual cases. In 90 per cent. restoration would be practicable. In the 10 per cent. which remained, some other method of compensation would have to be found, by means of bonds, or shares in trusts, or concessions. In this respect the commissions would work in touch with the property owners in Russia, and with the bondholders. For example, Sir Philip Lloyd-Greame would probably represent Great Britain, and he would keep in close touch with the property owners and bondholders. The difficulty at Genoa had been in the attempt to reconcile principles which were irreconcilable, on such questions as nationalisation and ownership. The Russians claimed that in practice it was not so difficult to reach agreement, but that if they were asked to lay down principles in the face of Russia it was impossible. The commissions would make an attempt to solve in practice instead of in principle.

(At this point Dr. Unden entered.)

M. MORTA asked whether, when the experts had completed their work and made their report, there would be another conference to look into the work, or would there be negotiations between the Governments without assembling a conference?

MR. LLOYD GEORGE thought the best way would be to have another conference, so that the Powers could act together and have a general agreement. There were, however, some Governments which would probably make separate agreements whatever happened. The Italian Government, for example, had let it be known that they might have to make their own arrangement.

M. MORTA asked whether it would be impossible that during a certain period the Governments should agree not to make any separate agreements: that is to say, that they would not do so until after a certain lapse of time, during which an effort would be made to reach a collective arrangement?

MR. LLOYD GEORGE said that he could only speak for the British Government. It would be quite agreeable to them to enter into an arrangement such as M. Motta had proposed, and to give an engagement not to enter into

any separate arrangement until after a good effort had been made to reach a general agreement. This would depend, of course, on a real attempt being made to reach agreement. If it was obvious that an attempt was being made to wreck the work of the commissions, they would hold themselves free.

M. VAN KARNEBEEK asked whether some such agreement would not be essential? The idea of the commissions was a continuation of the collective effort made at Genoa. As long as that continued there ought to be no separate agreements.

MR. LLOYD GEORGE agreed that loyalty demanded this.

M. VAN KARNEBEEK asked whether Mr. Lloyd George did not consider some such provision necessary?

MR. LLOYD GEORGE said he thought that this would be a difficulty for Italy, which was much more dependent on Russia than any other countries for raw materials, provisions and so forth. That, however, was a matter which the Italian Government would answer for itself. He had only given his own impressions, as the result of a conversation with Signor Schanzer, that Italy might find it necessary to go ahead with a separate arrangement if the conference broke down. Signor Schanzer, however, might be asked to postpone action for a certain period while the commissions were making a real attempt to reach an agreement; he thought it possible he might be willing to consider it.

M. MOTTA said it was noteworthy that in the 'Corriere della Sera' of to-day, the thesis was defended that the right to make separate agreements should be forbidden.

M. BRATIANO said humourously that in order to facilitate the work of the Commissions he was prepared to pledge his country not to make a separate arrangement.

MR. LLOYD GEORGE asked humourously what M. Bratiano would say if the Russians offered to return all his gold and give up their claims to Bessarabia?<sup>4</sup>

M. SKIRMUNT agreed in the general idea of Mr. Lloyd George's plan. Above all, he wanted to avoid a rupture. If no agreement were reached there would be a real danger of a rupture, and by this plan a rupture would be avoided. On the other hand, there was one clause of great importance, namely, that during the period in which the Commissions were at work, the *de facto* frontiers should be respected. He had not been in favour of raising the question of the frontiers at Genoa, because they were outside the scope of the Commission and it was desirable to prevent new controversial subjects. As for the mixed Commissions, it was essential to settle their object and their organisation. Owing to the differences in principle, it would be very difficult to draw up a programme for their work. Such questions as the exact programme of the Commissions and the holding of a new Conference should be settled definitely.

M. BRATIANO considered that the essential thing was to close the Genoa Conference without a rupture either between the Allies or with Russia.

<sup>4</sup> See No. 47, n. 3, and No. 77, n. 6.

As regards the Commissions, what interested him was not the manner in which the experts should be nominated, or the plan of work, which he thought it would be dangerous to fix too closely. In his view it would be better not to settle definitely to hold a new Conference, which would again raise hopes, but to let the Conference come like a ripe fruit falling into one's lap.

MR. LLOYD GEORGE approved this suggestion.

SIR L. WORTHINGTON-EVANS pointed out that the Commissions would report direct to the Governments.

M. MOTTA said that Mr. Lloyd George's idea was sympathetic to him personally, but there were two points which it seemed necessary to clear up. The first point was whether Germany would participate or not in the work of the Commission or Commissions. Presumably the work of this Commission or Commissions would be considered as a continuation of the present negotiations with Russia, in which Germany does not take part by reason of the conclusion of the Russo-German Treaty. The other question was as to whether Germany would participate in the Pact of non-aggression. This was a very difficult question but was an interesting one to examine, because it would be a matter of considerable importance. M. Motta was of opinion that Germany should be included in a general Pact of non-aggression.

At this point MR. LLOYD GEORGE again explained his general thesis to Dr. Unden, who had arrived after his original statement. He explained that the Russian document was of a propagandist character which could not be allowed to pass without challenge, and it was important to take a note of it. After replying to the document it was proposed to make certain definite proposals to the Russians. The first proposal was that there should be mixed commissions, composed half of representatives of Russia and half of representatives of the Powers, which should be appointed to examine the questions of credits, debts and property, and should seek to ascertain whether agreement could not be reached in practice even though the principles were opposed. The second proposal was whether, while the work of the commissions was proceeding, there should be a provisional pact of non-aggression; and the third proposal was that there should be no propaganda on either side, neither by Russia against the Powers nor by the Powers against Russia. In this latter connection he remarked that there had in fact been a good deal of propaganda against Russia in England and France, and perhaps in other countries.

DR. UNDEN thanked Mr. Lloyd George for the summary he had given him. He thought his Government would be in agreement on the general lines of Mr. Lloyd George's plan. M. Branting, before leaving, had envisaged the possibility of commissions to consider the continuation of the negotiations and the study of this question. He then said he would like to put a question. As regards the possible conclusion of special agreements with Russia while the commissions were at work, Sweden was in a special position. Her representatives had signed a trading agreement with Russia<sup>5</sup> similar to that

<sup>5</sup> See No. 102, n. 4.

of Great Britain,<sup>6</sup> Italy<sup>7</sup> and Norway,<sup>8</sup> which gave *de facto* recognition to the Soviet Government. Ratification had been postponed by Parliament pending the Genoa Conference. His Government would probably wish to propose to Parliament to ratify the agreement. He wished to know, therefore, whether such an agreement would be included in the category of 'separate arrangements' which it had been said ought not to be made?

MR. LLOYD GEORGE said that he understood that the Swedish agreement was a trading agreement similar to that already concluded by Great Britain, Italy, Czechoslovakia and other countries, and which recognised the Soviet Government *de facto*. The questions being considered at Genoa and to be considered by the commissions were of a different order, relating to such matters as finance, credits and property. He thought there could be no possible objection if Sweden ratified her trading agreement and placed herself in the position of the other Powers he had mentioned.

M. VAN KARNEBEEK said he believed his Government would sympathise with Mr. Lloyd George's idea. Two weeks before he had presented a memorandum<sup>9</sup> to the First Commission on the subject of the report of the London experts.<sup>10</sup> In this the idea of a commission had been suggested to work out the further lines of the agreement. The idea of the commission therefore should be acceptable to his Government, and he thought he could speak for his Government. He did not object to the pact of non-aggression as Mr. Lloyd George had defined it. He understood, however, that this pact must be regarded essentially as part of the Russian problem, that is to say, it would not be of a general character apart from the Russian problem, and it could relate to aggression by Russia against other States, and by other States against Russia.

MR. LLOYD GEORGE agreed, and pointed out that the League of Nations covered the other countries. He would like to know the views of those present as to whether there should be one, two or three commissions to deal with the three questions of credits, finance, and private property, or whether there should be one covering the whole three.

SIR L. WORTHINGTON-EVANS pointed out that the Russians proposed a single commission.

M. VAN KARNEBEEK favoured one commission. It would be very difficult to define the competence of three commissions, but a single commission might divide itself into sub-committees. He would leave that to the commission.

M. NINČIĆ said he favoured a single commission with sub-committees. The questions it had to consider would overlap, and the experts must keep in the closest touch.

M. MOTTA was of the same opinion. The reason which specially influenced him was that the interests of the different countries differed one from each other. One group would be more interested in property, another in debts

<sup>6</sup> See No. 31, n. 1.

<sup>7</sup> See No. 122, n. 7.

<sup>8</sup> A temporary agreement between Norway and Russia concerning political and economic matters was signed on September 2, 1921 (see *B.F.S.P.*, vol. 114, pp. 882-6).

<sup>9</sup> See No. 107, n. 3.

<sup>10</sup> See No. 56, Appendix.

and another in credits, and there might be a conflict between these different interests. To establish separate commissions would accentuate the difficulty.

MR. LLOYD GEORGE thought it all depended on how the experts worked together. If they worked well there was much to be said for a single great commission.

M. MOTTA asked if the idea of the three commissions could not be realised by having a commission with sub-commissions?

MR. LLOYD GEORGE remarked that there was something to be said for this.

M. VAN KARNEBEEK supposed that details would have to be settled at Genoa.

MR. LLOYD GEORGE agreed. The commissions should be set up at Genoa so that they could get to work without losing time.

M. SKIRMUNT presumed they would not start work at Genoa.

MR. LLOYD GEORGE agreed that they should not.

M. MOTTA said that the commissions would be set up here, in Genoa, but would do their work elsewhere.

MR. LLOYD GEORGE suggested that the commissions would have to work somewhere nearer Russia than Genoa. One disadvantage of Genoa had been that the Russian delegation had been too far removed from its experts and its material. Stockholm, or Copenhagen, or Riga were possible places.

M. MOTTA and M. VAN KARNEBEEK favoured Copenhagen.

In reply to Mr. Lloyd George, DR. UNDEN said that Stockholm was two or three days from Moscow.

M. VAN KARNEBEEK thought Helsingfors would not be a bad place.

M. SKIRMUNT said that Riga was not so bad. He would not propose Warsaw because the Russians might have objections.

M. VAN KARNEBEEK thought it essential that if the right people were to be induced to go to the conference it should be held in rather a pleasant place. He thought Stockholm would be suitable.

MR. LLOYD GEORGE thought it was also important to get away from the area of controversial views. Stockholm had its merits.

M. SKIRMUNT thought that Stockholm would be a suitable place. There would be no discomforts there.

In reply to Sir L. Worthington-Evans, DR. UNDEN said that telegraphic communication with Stockholm was good.

M. VAN KARNEBEEK asked when decisions would be taken on these questions.

MR. LLOYD GEORGE replied that the Powers (other than Russia and Germany) which were members of the First Sub-Commission would meet on the following day to discuss the general lines of their reply. One suggestion was that, in order to avoid a continuation of the exchange of propagandist documents, the reply to the Russians should be read to them, after which they should be asked to give their reply verbally.

M. BRATIANO said that the French already knew what was being proposed. He asked if the Belgian, Japanese<sup>11</sup> and Czechoslovakian delegations knew?

<sup>11</sup> In a conversation at 5.45 p.m., on May 12, 1922 (S.G. 30D, not printed), Mr. Lloyd George, accompanied by Sir Laming Worthington-Evans, Sir Philip Lloyd-Greame and

MR. LLOYD GEORGE said he understood M. Barthou<sup>12</sup> had explained it at dinner on the previous evening.

M. SKIRMUNT said that Dr. Benes was aware of what was proposed.

MR. LLOYD GEORGE said the Belgians knew.

M. VAN KARNEBEEK asked if the Russians could not be summoned to a full meeting of the First Commission?

MR. LLOYD GEORGE said that if this were done it would be difficult to discuss details with the Russians in such a large assembly.

M. VAN KARNEBEEK pointed out that many States were not represented on the sub-committee.

MR. LLOYD GEORGE said that after the Political Sub-Commission had agreed there would have to be a session of the full commission before the question was raised in plenary session. The Report would not be the report of the sub-commission, but of the full commission.

(After Mr. Lloyd George had asked if anyone had any other point to raise, the meeting adjourned.)

*Hotel Miramare, Genoa, May 12, 1922.*

Sir Maurice Hankey, informed Baron Hayashi of his plan and gave him a short document prepared by Sir Cecil Hurst setting forth these proposals. Sir Philip Lloyd-Greame handed to Baron Hayashi a copy of a draft reply to the propagandist part of the Russian note of May 11 (see No. 122, n. 2). In his telegram No. 183 of May 12, Mr. Gregory stated: 'Baron Hayashi appeared to favour our proposal and representatives of other nations were all favourable and in most cases enthusiastic.'

<sup>12</sup> In his telegram No. 183 of May 12, Mr. Gregory stated: 'Monsieur Barthou was personally favourable, but had to refer to Paris and we learn tonight has received instructions not to be associated in any further documents to Russians.' Referring to this telegram, in his following telegram No. 184 of May 12, Mr. Gregory commented: 'Abstention of France will of course be inconvenient but in view of great advantages of our proposal, and as it involves no difference on any point of principle, delegation feel we should show firm front tomorrow against France and Belgium for whom places should be reserved on commission. They will then probably be anxious to join commission later. Schanzer agrees.'

## No. 125

s.G. 30E] *Note of a Conversation at the Villa d'Albertis, Genoa, on Friday, May 12, 1922, at 6.30 p.m.*

PRESENT: *British Empire:* The Rt. Hon. D. Lloyd George, O.M., M.P.,  
The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P.,  
Sir Philip Lloyd-Greame, K.B.E., M.C., M.P., Sir Cecil Hurst,  
Sir Sydney Chapman, Sir Maurice Hankey, G.C.B., Sir Edward  
Grigg, K.C.V.O., C.M.G.

*Italy:* Signor Schanzer, Dr. Giannini, The Marquis Visconti  
Venosta.

*Russian Note of May 11.*<sup>1</sup>

SIGNOR SCHANZER began by describing the statement he had made to the

<sup>1</sup> See No. 122, n. 2.

press on the same day in regard to the situation. Shortly after he raised the question of what M. Barthou's attitude would be on the following day.

MR. LLOYD GEORGE, after mentioning that M. Barthou had received information from Paris that he was not to take part in the drafting of any fresh document to the Russians, said he thought that M. Barthou would make it clear on the morrow that he was only a postman.<sup>2</sup>

SIGNOR SCHANZER said that M. Bratiano had called upon him that day and had said that he was in favour of the policy which Signor Schanzer had outlined to him, but that he hoped France would subscribe to it, and that the great Powers of the Entente would keep together. He himself felt doubt as to M. Bratiano's attitude if France should refuse to take part.

MR. LLOYD GEORGE said that if Roumania [did go with France and Belgium] it would be necessary to consider the position very carefully. He thought that Sweden, Norway, Denmark, Holland, Portugal and Switzerland would go with Great Britain and Italy.

SIGNOR SCHANZER asked if the Little Entente would go with France.

MR. LLOYD GEORGE thought that M. Skirmunt at any rate was in favour of the policy he advocated. He had seen Baron Hayashi that afternoon, who, he thought, appeared favourable.<sup>3</sup>

SIR EDWARD GRIGG said that Herr Maltzan<sup>4</sup> had seen the Russians to-day and found them astonished at the effect their document had produced. They did not understand why protests should be made against it.

SIGNOR SCHANZER then raised the question of the right of each country to conclude a separate peace with Russia which, as he had already pointed out, was of importance to Italy.

MR. LLOYD GEORGE said that if Italy concluded a separate peace with Russia it would be very difficult to get general peace.

SIGNOR SCHANZER pointed out that up to the present he had not even concluded a definite trading agreement with Russia; there was only a provisional trading agreement which provided for the conclusion of a commercial treaty within six (? three) months.<sup>5</sup>

MR. LLOYD GEORGE said the same point had been raised by the Swedish representative with him that afternoon, and he had replied that he saw no objection to the conclusion of a trading agreement.<sup>6</sup> He had at that time been under the impression that Italy had concluded a definite trading agreement, and had said that this was the case. After some further discussion on the attitude of France, Mr. Lloyd George said that he was opposed to France setting up to be the arbiter of Europe. France must bring her mind into the common stock, and, if she would not, the other Powers would have to proceed without her. It was out of the question to allow France to break up the Genoa Conference and to break the European system and to make Genoa create anarchy in Europe. In the new policy he and Signor Schanzer had been discussing there was no question of principle involved, but merely questions of debts, property and credits. He thought that Great Britain and

<sup>2</sup> Cf. No. 123.

<sup>3</sup> See No. 124, n. 11.

<sup>4</sup> See No. 78, n. 8.

<sup>5</sup> See No. 122, n. 7.

<sup>6</sup> See No. 124.



Italy ought to go forward whatever countries were outside or whatever countries were with them.

SIGNOR SCHANZER said he had taken up that position to-day with the press.

MR. LLOYD GEORGE said that if they decided on a commission they ought to leave a place for France and Belgium. M. Barthou could then say he could not agree here, but that he would go back and his Government would consider it. He, himself, thought it unlikely that Belgium and France would allow negotiations in regard to property to be carried on without them. They would be afraid of being left in the lurch. It was, therefore, important to go forward. If a firm attitude were adopted on the morrow, a friendly attitude [to] France combined with a note of regret and of hope, he thought good results might follow, but in any event they must go on.

SIGNOR SCHANZER agreed.

SIR LAMING WORTHINGTON-EVANS pointed out there would be no quarrel in taking such a line.

MR. LLOYD GEORGE said he would have no difficulty in England in uniting all sections of public opinion on this. Only the same day he had heard that the City of London was very annoyed at the attempt to upset an agreement.

SIGNOR SCHANZER asked what could be done as regards the pact.

MR. LLOYD GEORGE said that the pact would be carried through provided M. Skirmunt would join in and sign. Of course, if M. Skirmunt did not wish the boundaries of Poland to be protected, that was his affair.

SIGNOR SCHANZER asked if France would come in.

MR. LLOYD GEORGE said he thought she would not come into anything at present. He rather hoped that France would not take part in the discussion on the following day. They would probably come later. M. Poincaré was at present very angry and regretted he had not withdrawn from Genoa at the time of the Russo-German treaty.<sup>7</sup> His attitude towards M. Barthou was: 'You are now out. Take care you do not go in again.'

SIGNOR SCHANZER said that if France was out there would be a somewhat embarrassing situation, because she would be the only country that had not pledged herself to non-aggression.

SIR LAMING WORTHINGTON-EVANS said that it was only intended for the countries to pledge themselves not to attack Russia.

SIGNOR SCHANZER asked if this was not a general pact of non-aggression.

MR. LLOYD GEORGE replied in the negative. It was only a Russian pact.

SIGNOR SCHANZER said that Mr. Lloyd George had modified his proposal.<sup>8</sup>

MR. LLOYD GEORGE said he had not. He had only contemplated that the parties should agree not to attack each other. All other Powers had bound themselves by the covenant not to attack each other. The only gap left was in regard to Russia, who had not signed the Treaty of Versailles and was outside the pact. Russia was the danger point, and it was necessary to provide for her by this pact of non-aggression. (At this point Mr. Lloyd

<sup>7</sup> See No. 75, n. 1.

<sup>8</sup> Cf. No. 95, Appendix.

George handed to Signor Schanzer a draft reply to the propagandist portions of the Russian note of the 11th May.)

SIGNOR SCHANZER, after reading the document, expressed general approval.

*Hotel Miramare, Genoa, May 12, 1922.*

## No. 126

s.G. 31] *Notes of an Informal Meeting at the Villa d' Albertis, Genoa, on Saturday, May 13, 1922, at 10 a.m.*

PRESENT: *British Empire:* The Rt. Hon. D. Lloyd George, O.M., M.P., Sir Edward Grigg, K.C.V.O., C.M.G., Mr. E. F. Wise.  
*Russia:* M. Chicherin, M. Litvinoff.

THE PRIME MINISTER said that he had received an intimation from the Germans that they thought M. Chicherin would like to see him if it were possible before the meeting of the sub-commission that morning at 11 o'clock. He was of course prepared to hear anything that the Russians had to say, though he felt that the situation now, so far as the conference was concerned, was practically hopeless. The Russian note<sup>1</sup> had broken the conference; it was no use disguising the fact. The French had received instructions on which they would, at the meeting that morning, refuse to take part in the proposed commission. He was afraid that other countries might follow their example. He much regretted that this had happened. He himself and the Italians had striven to bring a successful peace settlement from the conference, but other countries had surrendered to their extremists. He was afraid that this could be the only explanation of the Russian note. The only thing now that he thought could be done was to endeavour to set up a commission of experts, but he was far from certain whether now even that was possible. He had, as a matter of fact, prepared a proposal which he was prepared to put forward to the sub-commission that morning, difficult though it might be to carry it. He would like, however, to know that if he did carry it the Russians would not then refuse the proposal. He would like to know what their views were about it.

(The Prime Minister here handed to M. Chicherin a copy of the resolutions at the end of the draft memorandum, dated the 13th May, 1922.)  
(Appendix.)<sup>2</sup>

M. CHICHERIN enquired as to the effect of clause 4 (propaganda).

THE PRIME MINISTER said clearly the undertaking must be mutual. The clause did not require the suppression of ordinary political movements within the boundaries of a particular State, but it was intended to prohibit

<sup>1</sup> See No. 122, n. 2.

<sup>2</sup> Not printed. For the final version of these resolutions, see No. 132, Annex, and No. 138, Annex, below.

Government financial assistance to such movements if they were intended to upset the internal affairs of other countries.

M. CHICHERIN said that on a cursory review the idea seemed just, but it would of course require a little consideration.

THE PRIME MINISTER repeated that he did not wish to put forward a proposal which would not subsequently be accepted by the Russians. The pact proposed was of the nature of a temporary truce under which all the countries concerned undertook to respect the *status quo* until frontier questions were settled. It would not prejudice in any way the decision as to the frontiers.

M. CHICHERIN enquired as to whether the pact would prevent them combatting White Russian activities.

THE PRIME MINISTER replied that they would take what measures they thought fit to deal with counter-revolutionary activities. The pact was only intended to apply to organised and responsible Governments.

M. LITVINOFF said that there had been a report that it was intended, during the sittings of the proposed commission, to prevent them entering into direct negotiations for commercial purposes with particular States or individuals.

THE PRIME MINISTER said that this was not intended. It was, of course, expected that they would not enter into separate political agreements whilst the discussions were proceeding, but there would be nothing to prevent them concluding purely trade agreements.

THE PRIME MINISTER then said that he would have to proceed at once to the sub-commission. He would leave a copy of the document with the Russians so that they might immediately consider it carefully and then inform Mr. Wise as to their views, so that he could communicate them to him at the meeting of the commission. He added that the document in its present form was what he proposed to lay before the commission, but he might find in the course of the discussion that it was impossible to proceed at all on these lines, or that it would have to be amended in particular details.

(The Prime Minister and Sir Edward Grigg then withdrew.)

After examining the document carefully, M. CHICHERIN informed Mr. Wise that the proposal seemed acceptable to them. They would, however, suggest that at the end of the second paragraph of clause 1 the words 'or between Russian nationals and foreign Governments or their nationals' should be added.

In clause 2 the words 'place of meeting' should be added after 'terms of reference'. They would object to the commission meeting in a city which was especially hostile to them, such as Paris, Brussels or Prague, but they would be prepared to agree to Genoa, London, Vienna, The Hague, Stockholm or Christiania, or any other city with easy communication with Moscow.

As to clause 4, they wished to say that they were prepared to agree to this pact of a truce on the clear understanding that it was without prejudice to their territorial and other claims. They had Bessarabia particularly in mind. So long as this was clear, they would, of course, be only too thankful to be immune from aggression.

They were also in full sympathy with the more general and more permanent pact of peace which had been contemplated, but this, of course, they would have to discuss in detail.

They wished to know, however, whether it was proposed that this temporary pact to refrain from aggression should apply to Vladivostok and the Far East.<sup>3</sup> Actual hostilities were proceeding between the forces of the Far Eastern Republic and the White Russian forces. The Japanese were giving support to the latter and were protecting them. In any case, there was no boundary line, but merely what amounted to a line of battle. They thought, therefore, that the pact should not apply to this area.

MR. WISE undertook immediately to convey their views to the Prime Minister.

*Hotel Miramare, Genoa, May 13, 1922.*

<sup>3</sup> See No. 89, n. 9.

## No. 127

*Draft Minutes of the Sixth Conference of the British Empire Delegation, held at the Hotel Miramare, Genoa, on Saturday, May 13, 1922, at 10 a.m.*

[N4693/646/38]

PRESENT: The Rt. Hon. Sir Laming Worthington-Evans, Bart., Secretary of State for War (*in the Chair*); Sir Philip Lloyd-Greame, K.B.E., M.C., M.P., Sir Charles Blair Gordon, G.B.E., Representative of Canada; Professor Montpetit, Representative of Canada; The Right Hon. Sir Joseph Cook, G.C.M.G., Representative of Australia; The Hon. Sir Edgar Walton, K.C.M.G., Representative of South Africa; Mr. D. M. Dalal, C.I.E., Representative of India.

The following were also present: Mr. Gregory, Foreign Office; Mr. Allden, Mr. Peters.

SECRETARIES: Sir Maurice Hankey, G.C.B., Mr. Pembroke Wicks.

With reference to B.E.D. 76th Conference<sup>1</sup> the members of the British Empire Delegation received shortly before the meeting a draft of two memoranda (bound up as a single document)<sup>2</sup> for submission that morning to the States subscribing to the Memoranda to the Russian Delegation of May 2nd<sup>3</sup> as a reply to the Russian Memorandum of May 11th.<sup>4</sup> Immediately before the meeting the Secretary announced that he had just received from the Prime Minister by telephone an additional paragraph to be added at the end of the first memorandum. This arrived a few minutes later.

<sup>1</sup> i.e. the Third Conference at Genoa (see No. 85).

<sup>2</sup> Not printed. For the final version of these memoranda, see No. 132, Annex, and No. 138, Annex, below.

<sup>3</sup> See No. 108, Annex II.

<sup>4</sup> See No. 122, n. 2.

SIR LAMING WORTHINGTON-EVANS said that the Prime Minister who was working under great pressure had asked him to take the chair.

After a reference to the draft memorandum which he hoped all present had had time to read, he discussed the general policy to which the memorandum was intended to give effect. The alternative to the present policy was to announce that the Russian reply was wholly unsatisfactory and that the only practical step was to break up the Conference. This alternative would have resulted in the complete breakdown of the Conference with all the disadvantages involved therein. The basis of the policy now proposed was to endeavour to reach some practical agreement with Russia by means of a Commission which would avoid a continuation of a fruitless discussion on irreconcilable principles and seek by the examination of the actual claims to reach a business settlement.

The draft reply therefore consisted of two parts—a sharp reply to the propagandist part of the Russian Memorandum and a statement of the proposals, which in addition to the proposed Commission provided for a pact of non-aggression to abstain from propaganda. The important business interests of their nationals in Russia required that the Delegation should not suffer the breakup of the Conference merely because of the ill-conditioned document that had been received from the Russians, and the policy about to be followed was that upon which the Delegation had decided (B.E.D. 78th Conference).<sup>5</sup> There were no definite indications of the line the French would take, though the French press declared that the French Delegation would decline to take any further part in the discussions and of this there was some confirmation. This the French could logically [and] legally do because they had not been parties to the earlier memorandum, nor had the Belgians. The previous day the Prime Minister had interviewed representatives of the neutrals and the other Allies.<sup>6</sup> The Italian Delegation were firmly with the British Government; the Poles and Roumanians would probably support us. The Swiss and Dutch were strongly in favour of the document. It appeared, therefore, that should the French and Belgians decline to pursue the matter there would be a sufficient number of members left on the First Sub-Commission to appoint representatives to negotiate with the Russians and in that case it was probable that after negotiations had started the French and Belgians would find some reason for appointing delegates on the proposed Commission rather than that their interests should be disregarded. The Prime Minister would like to have the benefit of the views of the Delegation and much regretted that he had not been able to be present himself.

In reply to a suggestion that the document was of a somewhat rhetorical character, Sir Laming Worthington-Evans pointed out that the greater part of the Russian reply had been written purely for propaganda purposes and would be in every workshop in England within the next few days and that it was necessary to have an answer drafted in a manner which would appeal to working class opinion.

<sup>5</sup> i.e. the Fifth Conference at Genoa (minutes not here printed).

<sup>6</sup> See Nos. 124 and 125.

SIR JOSEPH COOK enquired whether this document would have to be referred back to Russia involving a further protracted delay.

SIR LAMING WORTHINGTON-EVANS replied that assuming the document was accepted at the First Sub-Commission it was hoped to call the Russians together at once and demand an immediate answer, the idea being to send them the document immediately after the meeting and ask them to come to a meeting at 5 o'clock the same day. If the Russian Delegation insisted on immediate credits, the discussion of the other conditions being left until afterwards, that must be refused; no business could be done on that basis. The Russians must accept the whole document or nothing. The non-aggression pact in a temporary form was contained in the fourth paragraph of the Articles at the end of the document.

At this stage copies of a new passage to be inserted at the end of the Preamble and before the Articles was circulated to the meeting.

It was agreed that the new paragraph should be inserted on the last page of the Preamble before the concluding paragraph.

SIR CECIL HURST pointed out that Clause 4 of the Articles relating to the pact of non-aggression was drawn as between Russia on the one hand and all the signatory Governments on the other. That part of the clause relating to propaganda, however, was drawn so as to bind all Governments signing the document to abstain from propaganda in any part of the world. The distinction was somewhat illogical. He had drafted a clause which could be used if necessary, putting propaganda on the same basis as the pact of non-aggression.

SIR LAMING WORTHINGTON-EVANS said that in regard to propaganda he would sooner go too far than not far enough.

SIR EDGAR WALTON pointed out that the 3rd International in Moscow was already voting half a million of money for propaganda, most of which would be used against Great Britain.

SIR CECIL HURST in reply to an enquiry said that he did not think that the propaganda clause as drafted or the alternative he had prepared would suffice to prevent Moscow from subsidising in Persia or Afghanistan for the purpose of undertaking propaganda in India.

SIR CHARLES GORDON suggested that it was necessary to take a very stiff attitude with the Russian Delegation. There was not a single member of the British Delegation who approved of the Russian way of doing business and it was necessary that they should be made to understand it.

SIR LAMING WORTHINGTON-EVANS on the other hand drew attention to the very strong tone taken in the first three pages of the preamble which appeared to put the case as strongly as it could be put.

Sir Laming Worthington-Evans pointed out, in reply to an enquiry from Professor Montpetit, that the continuation of negotiations with the Russians upon this document need not involve a quarrel with France. It was only proposed to set up a mixed commission to examine conditions in Russia upon which the French could be represented or not as they thought fit.

SIR EDGAR WALTON pointed out that if the French refused to come in the

Russians might ask what the French were going to do and whether they would continue to allow propaganda against the Soviet system to be continued from Paris.

SIR LAMING WORTHINGTON-EVANS said that he would draw the attention of the Prime Minister to the point which was undoubtedly one of great importance.

The British Delegation approved the documents for submission to the meeting of the First Sub-Commission that morning as amended by the inclusion of the new paragraph referred to above. The document as finally drafted is attached as an appendix<sup>7</sup> to these minutes.

<sup>7</sup> See n. 2.

## No. 128

P.C.S. 9] *Meeting of Members of the Sub-Commission of the First Commission held on May 13, 1922, at 11 a.m., in the Palazzo Reale, Genoa.*

PRESENT: *President*: Signor Facta.

*Belgium*: M. Jaspar.

*British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P.

*France*: M. Barthou.

*Italy*: Signor Schanzer.

*Japan*: Baron Hayashi, Viscount Ishii.

*Poland*: M. Skirmunt.

*Roumania*: M. Bratiano.

*Sweden*: M. Unden.

*Switzerland*: M. Motta.

The meeting opened at 11 A.M.

THE PRESIDENT said that the meeting had been convened to discuss the reply of the Russian delegation to the memorandum of the 2nd May and the ensuing situation (Annex I).<sup>1</sup> He declared the discussion on this subject open.

MR. LLOYD GEORGE said that he thought everyone was agreed that the Russian document was a very unsatisfactory production. It was very provocative in form, and had all the characteristics of Soviet diplomacy. Every effort they had made to secure peace had always been rendered more difficult, and sometimes impossible, by the extremely provocative, challenging and rather insolent methods adopted by the Soviet Government in their documents. From that point of view, therefore, he did not think there would be any difference of opinion among them. With regard to the substance of the document, the British delegation had come to the conclusion that, while the Soviet Government was very anxious to come to a settlement, it could not do so at that time. Every head of a Government met with difficulties due to public opinion in their respective countries, and they must not, therefore, criticise the Soviet Government too severely for being unable to face their

<sup>1</sup> Not printed (see No. 122, n. 2, and No. 108, Annex II).

extremists when the Western Governments themselves had to screw up their courage to the utmost in order to confront their own extremists. The British delegation, however, had come to the conclusion that, even if the present discussions were prolonged, the Russians were not in a position to arrive at a definite conclusion at the present time. On the other hand, if they merely replied to them by saying, 'Your document is inadmissible, it is quite clear that no agreement is possible, and therefore we must part,' a very grave situation would arise, not only in Europe, but also in Asia. Russia, which was in the grip of famine and pestilence, would become devoid of all hope, and 120 millions of people would be rendered desolate. That would be a danger to the rest of the world, for the Russian people, thrown back upon themselves, would listen only to counsels of violence. The floodgates of war and anarchy would once more be reopened throughout the world. Under these circumstances, the speaker thought it was very undesirable that there should be a complete and final rupture. He did not despair that ultimately they would be able to come to terms with Russia. Russia needed credits, and could not do without credits; the Russians knew very well that they could not get credits except from the countries which they called capitalist, and that before they could get anything from those countries they must pay their debts and restore property, or failing restoration, must pay compensation for the confiscation of private property. The Russians knew all that in their hearts. Their difficulties were exactly the same as the difficulties of Western countries, due not to practice, but to principle. Two antagonistic systems were confronting each other, and that was the cause of the present situation.

Continuing, Mr. Lloyd George said that he wished to submit to the commission a series of proposals for the setting up of a commission or commissions for the purpose of examining with the Russians three separate questions: (*a*) the question of Russian debts; (*b*) the question of property belonging to foreigners in Russia which had been confiscated and the best method of restoring such property or providing compensation; (*c*) the question of what credits were available and how those credits could best be applied. Those were the three questions which he suggested should be examined either by a commission or commissions or by one commission with several sub-committees. It was essential, however, that these commissions should be mixed commissions. It was no use having another meeting like that of the London experts,<sup>2</sup> where only one side of the case was presented. They would never come to an agreement in that way. It would be a waste of the time of able men to get them together to repeat the efforts of the London experts. They had all sent their best experts to London, and could not do better in that respect. They ought now to come to grips with the Russians themselves in dealing with the details of all these questions, and accordingly he proposed that mixed commissions should be set up. Besides, the efforts necessary to arrive at an agreement were not perhaps as great as might appear. With regard to the most delicate point—that of private property—he was informed that the Russian Government was prepared to restore nearly

<sup>2</sup> See No. 56.



go per cent. of the confiscated property, in which case the compensation would be reduced to comparatively small dimensions.

The next proposal was as follows: the commissions could not go on doing their work if armies were massing on the frontiers, and if there was an atmosphere of menace and semi-hostility. He therefore proposed that during the period when these investigations were being conducted there should be in effect a truce—what might be called a provisional pact of non-aggression—between Russia and the rest of Europe. It would not raise any questions with regard to treaties, because the truce would be on the basis of existing boundaries of *de facto* frontiers. The pact would have to be a mutual one, not merely a pact that Russia would not attack her neighbours, but also that her neighbours would not attack her. It would have to be drawn up on a fair, just and equitable basis.

The third proposal was that there should be an agreement that during the period while the commission was meeting Governments should not encourage or subsidise any propaganda for the purpose of subverting the institutions existing in other countries. That also must be a mutual agreement. It was unfair to ask Russia not to engage in propaganda for the purpose of overthrowing institutions in other countries if they were to subsidise or encourage propaganda in order to overthrow institutions in Soviet Russia.

Those were the three proposals which he desire[d] to submit to the commission for acceptance. He would also suggest that, in addition, there should be a very sharp answer to the propagandist part of the Russian document. It was a very clever document and contained powerful passages; it would make a great impression on the working classes of the different countries. He had drafted something as a contribution to the discussion (Annex II),<sup>3</sup> but, if anyone else had a reply prepared, he would be very glad to withdraw his. The Russian document, however, must be answered.

M. BARTHOU said that, before expressing his views on Mr. Lloyd George's proposals, he wished to ask him for an explanation. Did he consider that it would be necessary to send the Russian delegation a single document, the preamble of which would endeavour to demonstrate the hollowness of the subversive arguments elaborated by that delegation, and the second part of which would contain the proposals relating to the constitution of the mixed commissions? Or did he think that these two questions were independent, and that, as they would have to be considered separately, it would be better to prepare two distinct documents? It was indispensable to ascertain the views of Mr. Lloyd George on this point before entering on the discussion of the substance of the proposals submitted by him.

MR. LLOYD GEORGE said that his suggestion was that the propagandist part of the Russian document should be dealt with, and that that should lead up to his propositions. That meant that there would be one document. His propositions would be quite shortly stated, while the reply to the points raised in the Russian document would be naturally a little longer.

<sup>3</sup> Not printed (see, however, No. 120, Appendix).

M. BARTHOU thanked Mr. Lloyd George for the clearness with which he had replied to his question. His statement threw a strong light on the discussion. The French delegation had not joined in the memorandum which had been sent to the Russians.<sup>4</sup> It could not therefore discuss the reply which had been made to a document which it had not signed. If, however, in the reply to the Russian reply, Mr. Lloyd George intended to insist on the insolence and the provocative character of the Soviet document, the French delegation would approve that reply. Without taking part in the discussion it would give its full approval, but it could not join in the preparation of the note. As regards the concrete proposals which Mr. Lloyd George had just submitted to the sub-commission, they amounted essentially to the constitution of a mixed commission of experts which would continue the conversation with the Russians. M. Barthou thought that Mr. Lloyd George had himself pointed out the objections to which his proposal gave rise. He had said, in effect, that this mixed commission of experts would continue the consideration of the settlement of debts, the restoration or compensation of confiscated property, and the credits to be granted to the Soviets. In this connection it would have to be provided that the Second Commission should examine not only the conditions of restoration or compensation, but also damages caused to persons and property apart from any confiscation or nationalisation. But all that was exactly what the Genoa Conference had been considering for five weeks. The conference had for five weeks, and in the greatest good faith, worked at the realisation of an agreement with the Russian delegation, and it had done so in vain. With the exception of certain phrases which everyone was free to interpret according to his mental constitution, the document by which the Russian delegation had replied to the commission was in effect a refusal. More than that, this document took them back to the state of things preceding the first plenary sitting of the conference. The Russians no longer accepted even the principle of Cannes,<sup>5</sup> they went back to the memorandum<sup>6</sup> which they had withdrawn from discussion in circumstances which were still present to the memory of all,<sup>7</sup> they challenged, they provoked; as regards France, they brought her directly into the discussion both as to the past and as to the present. He did not intend as regards the past to enter into a discussion with M. Chicherin, especially when he was not present; but as regards the present he could not refrain from saying that the French Government did not leave it to M. Chicherin to defend the interests of the bearers of Russian bonds. The latter stood in no need of the solicitude of the Soviets; they knew what they wanted, and the French Government knew it also; if the Soviets did not give way all further discussion was superfluous.

The exchanges of view with the Government of the Soviets had been as complete and as candid as possible. The memorandum sent to the Russian delegation was a document all the more significant in that it was the most attenuated, the most moderate expression of the demands which could be

<sup>4</sup> See No. 108.

<sup>5</sup> See No. 6, Appendix.

<sup>6</sup> See No. 89, Annex I.

<sup>7</sup> See No. 87, n. 3.

presented by the Powers represented on the sub-commission, having regard to the attitude of Belgium<sup>8</sup> and France. It could not be said that the note sent to the Russians was the most advanced expression of the programme of the Powers present at Genoa. It was on the contrary the minimum that could reasonably be submitted to the Russian delegation. Well, then, how would such problems be solved to-morrow by a commission of experts, seeing that after five weeks of effort and work, the Powers had been unable to solve them? There were gathered together at Genoa a certain number of politicians, heads of Governments or direct representatives of Governments. How could the experts expect to arrive at a result where all these statesmen had failed? At bottom, what seemed to be desired was that the haggling should continue, or that the haggling should recommence. It would recommence under much worse conditions, for in the conversations which had so far taken place there were starting points. They started from a solid basis, the Cannes Resolution; tomorrow, there would no longer be any solid basis. The field of discussion would no longer be limited, the discussion might go as it would, it would proceed as if the Genoa Conference had not taken place. The Russians considered themselves uncommitted and free. They had rejected everything, they had abandoned everything; and it was in such conditions that the Powers were to agree to resume contact with them. It would be a truly distressing spectacle, and France, for her part, declared that she could not associate herself with such decisions. What Mr. Lloyd George proposed was, in the last analysis, to reconstitute the Genoa Conference under conditions which could not have been more dangerous. So far as France was concerned, she refused. And besides, it must not be forgotten, the conference did not [*sic*] consist of delegates behind whom were the Governments, and the time had perhaps come to address those. It was for them to see whether the commissions suggested were possible; it was for them to appreciate and decide.

Mr. Lloyd George had objected in advance that experts had already met in London and that they could only recommence without profit the work already accomplished. The proposal which the French delegation submitted was essentially different. The memorial of the London experts had only the force of an opinion. It had been prepared only by a quite small committee. This committee the Genoa Conference had considerably enlarged; neutrals had joined it, as well as Allies which had not been invited to London. Let the question therefore be taken up by the Governments. They would see whether it was desirable, in the first place, to call together an enlarged commission of experts including, besides the Allies, all the neutrals. They would then consider whether this commission should resume the negotiations with the Russian[s]. And then, since the time had come to speak with perfect frankness, the absence of the United States from the conference had been unanimously regretted. In acting as he had just proposed, the United States would perhaps agree to take part in the negotiations, and then this committee would be an enlarged London committee of experts, which would

<sup>8</sup> See No. 105.

include, besides the Allies and the neutrals, also the United States. That was a prospect to which no one could be indifferent.

Whatever happened, the Genoa Conference would not have been in vain. Very important points on which agreement had appeared difficult had been happily cleared up. All that represented a real advantage; but to recommence, here, or elsewhere, the haggling with the Russians which they had just witnessed—no, the French delegation could not and never would be able to agree to this. Certainly Mr. Lloyd George's suggestion as to a provisional pact of non-aggression was interesting. But was it quite certain that the precaution which Mr. Lloyd George wished to take did not itself contain a menace? The Russians would constantly be hinting during the proceedings of the experts that they had the Red army behind them, and they would be tempted to see in this a means of pressure on their immediate neighbours every time a divergence of views appeared. Thus Mr. Lloyd George's intentions were in danger of defeating their own object. As regards propaganda, the conference knew the value of undertakings given by the Russians in this respect. At Genoa it was not the Powers who could be reproached with carrying on propaganda, with holding more or less public meetings for the purpose of proving that the capitalist régime was the best of all possible régimes, with going behind the back of the Soviets, to use an expression which was not his, as they themselves had done, for example, by signing the Treaty of Rapallo.<sup>9</sup> What would be the value of a promise from the Russians, when they had shown at Genoa that they were determined not to keep their promises?

To sum up, M. Barthou considered, for the reasons which he had just explained, that the proposals of Mr. Lloyd George were not acceptable. Certainly, the French delegation looked at the situation from all its aspects, and took account of all the considerations. But there were moments when it was necessary to take resolutions however unpleasant they might be. The Japanese delegate had warned the commission at the beginning of its labours, of the dangers to which it was exposing itself by entering into negotiations with the Russians. The words of Viscount Ishii,<sup>10</sup> to which experience of laborious negotiations conducted with the Soviet delegation gave a singularly high authority, had the value of a forecast which the Powers would have gained by acting upon. Russian diplomacy had proved itself worthy of itself. There was nothing to show that it was disposed to abandon its methods. It should not be given an opportunity to put them in practice again. The point of view of the French Government was therefore clear. It could not agree that the conference should nominate a commission or commissions of experts in which the Russians should take part. That was a carefully considered attitude from which he would not stir.

SIGNOR SCHANZER said he desired to make some observations on behalf of the Italian delegation. He fully concurred in the criticisms which had been expressed concerning the Russian reply, and particularly in those relating to the first part of the document. He thought it necessary to refute the

<sup>9</sup> See No. 75, n. 1.

<sup>10</sup> See No. 89.

imputations which it contained. However, he thought it was more than ever necessary to consider the political situation from the point of view of actual facts, and with a clear realisation of the responsibilities devolving upon Governments. He recalled that M. Barthou had said that the five weeks' negotiations conducted at Genoa had led to no results whatever; M. Barthou had concluded that any further discussion was useless, for it would merely mean a continuance of haggling, the uselessness of which was sufficiently obvious. The speaker desired to call the attention of the assembly to the fact that five weeks was not really a very long time when it was a question of solving problems of the importance of those which were before the conference. What had to a certain extent been an obstacle to the work of the conference was that it had necessitated the presence at Genoa of a large number of premiers and statesmen who could not remain away from their respective countries too long, but he felt it was necessary to emphasise the fact that so short a time was far from being in proportion to the importance of the problems under discussion, and that it was practically negligible in comparison with the tremendous scope of the Russian problem. If they really desired to achieve positive results, months and months of negotiation would be necessary. They must not forget that five weeks was really a very short time, especially if the difficulties with which the conference had been confronted, and the tentative efforts by which negotiations of such importance were necessarily accompanied and the necessary exchange of views between the Russian delegation and its Government were all taken into consideration. The situation with which the conference was confronted at the moment was as follows: The Russian delegation asked that negotiations should continue; Mr. Lloyd George supported that proposal. The Italian delegation would undoubtedly assume a very serious responsibility in the eyes of the world if it rejected such a proposal. If it abandoned the task which had been undertaken, the conference would give the impression that it did not desire to investigate the problem from every possible point of view, and to consider every possible method of arriving at an agreement. Could they deny that the conference had contributed very considerably towards the solution of the questions which had been submitted to it? Many points had been more clearly defined, and undoubtedly enquiries and negotiations would very soon lead to positive results. The speaker desired to emphasise the fact that the object in view was so important that they ought to leave no stone unturned in order to attain it. To abandon the efforts already made and the results already obtained would be to assume a very heavy responsibility. If they did decide to do so, Europe would be menaced by very great dangers, not only external, but also internal. The nations, disappointed in their hopes, might place the responsibility for their distress on the existing social order. Statesmen could not ignore this, and could not afford to neglect this aspect of the question.

Continuing, Signor Schanzer said that he would also like to point out that it would be particularly regrettable if the representatives of the States assembled at Genoa had to separate with disagreement on the important

question of the Russian problem. The Italian delegation would accordingly make every possible effort to maintain the agreement between all the Powers; until then, there had been agreement on questions of principle of the gravest importance. It was unthinkable that disagreement should arise concerning a mere question of procedure. The Italian delegation supported Mr. Lloyd George's proposal regarding the constitution of commissions of experts. Further, it considered it necessary that, according to the British suggestion, a provisional pact should be concluded based on the *status quo*. The signature of such a pact was essential for the peace and tranquillity of Europe. The Italian delegation thought that it was most desirable that a word of peace should be pronounced before the end of the conference, in which the world had placed all its hopes. Undoubtedly, these hopes were too high, but the disillusionment which would be experienced by public opinion would be very great if no effort was made for peace. If the conference, which had been convened first and foremost to consolidate peace, were to terminate by disagreement amongst the Powers which had convened it, the consequences would be disastrous. The speaker accordingly appealed to the assembly to act so that this agreement would not appear in the eyes of the world to be destroyed. If the British and French proposals differed only with regard to a question of form and procedure, the Italian delegation was ready to endeavour to conciliate the two proposals and eliminate the divergency between them. It might be possible, for example, to accept the French suggestion to entrust to the Governments the nomination of the members of the commissions. The Italian delegation was ready to discuss, in a spirit of conciliation, both this point and any other proposals concerning the method in which the discussions of the commission were carried on. But the presence of the Russians at these commissions seemed absolutely essential. The time had come for everyone to realise the responsibilities incumbent upon them. On behalf of the Italian delegation, the Italian Government and the Italian people, the speaker appealed to the members of the assembly, in the most cordial, amicable, but most pressing manner, not to disagree on a question of this kind. This appeal was addressed particularly to the French delegation, whom he asked to make every effort to establish the agreement which was essential if the objects of the conference were to be achieved.

M. BRATIANO thought that others would share his opinion that the conference must not be allowed to finish with disagreement among its members; it was a question of world interests, but it was a question also which affected the internal situations of all countries. Unanimous agreement was so necessary that the best solution, if it did not imply the unanimous agreement of all the delegations, might be less advantageous than a less satisfactory solution which was agreed by all. Disagreement between the countries which had taken part in the conference was the most dangerous thing of all. For this reason, M. Bratiano shared the apprehensions to which Signor Schanzer had given voice, and thought that they must try to reconcile the two points of view under discussion. It seemed to him that such

reconciliation could be obtained; they could, for instance, decide in principle upon the establishment of a commission, leaving the Governments to appoint its members, and leaving the Governments, or the commission itself, to decide when the Russian experts should take part in the discussions. Such a solution seemed to him especially advantageous in view of the fact that by leaving the Governments entirely free it would permit the possibility of the co-operation of the United States, which was so necessary. He was not making a proposal, he was simply stating his opinion. Nevertheless, since it would obviously be difficult to reach an agreement on this point in a meeting so large as the sub-commission, he thought that Mr. Lloyd George and M. Barthou might be asked to discuss the matter together, and endeavour to find a way of agreement. M. Bratiano, for his part, was ready to accept any solution which met with unanimous agreement, for it seemed to him that the essential point was peace, which could only be safeguarded by unanimous agreement.

THE PRESIDENT, whilst not wishing to pronounce any decision upon the question, nor interrupt the discussion prematurely, thought that, for the sake of agreement, it would be better to adjourn the discussion to the next day. The opinions which had been expressed had given evident proof of the gravity of the problem under discussion. The consequences of the decisions to be taken must therefore be carefully weighed, and every means of coming to an agreement must be taken into account. If the discussion were adjourned, interchanges of views could take place which would perhaps lead to the adoption of a single point of view. He made the suggestion in a quite impartial spirit, hoping that the efforts of reconciliation which had taken place would be crowned with success.

M. MOTTA, whilst fully appreciating the president's proposal, thought that the discussion was so far advanced that it was hardly necessary to adjourn it for so long. He thought that a meeting might take place in the afternoon; it could be continued next day if necessary.

M. BARTHOU thought, like M. Motta, that it would be better to continue the discussion that day. If they decided to adjourn it for forty-eight hours, the press would probably get hold of the discussion, distort their points of view, and thus compromise the success of any subsequent discussions. The discussion was well advanced; it could be continued after a short adjournment, whilst it would be dangerous to wait forty-eight hours before continuing it.

MR. LLOYD GEORGE said that, like M. Bratiano, and everyone else, he was most anxious that the conference should end in complete agreement amongst the Allies, even if they failed to arrive at an agreement with the Russians. He was therefore prepared to do everything possible to establish that accord, and to make it impossible for a division to arise amongst themselves. M. Bratiano had suggested that M. Barthou and himself should hold conversations on the subject. M. Bratiano had further suggested that their two positions might be reconciled by asking the Russian experts to attend the commission whenever the experts of the other Powers, who would meet

separately, might think it necessary. Mr. Lloyd George observed that that was exactly what was happening at Genoa. The Russians were not taking part in the discussions, but if they wanted them they could send for them. He had no doubt that all the commissions which he proposed would work in the same manner. The representatives of the Powers other than Russia would meet separately, and discuss things amongst themselves, so as to arrive at some understanding together, and then they would meet the Russians. He thought that it was quite possible to reconcile M. Barthou's position and his own in that way. The only thing which seemed to him perfectly hopeless was to set up a commission which would not include the Russians. Such a commission would be ineffective, for, if its members agreed, their reports would have to be submitted to their respective Governments, and, after their approval, submitted to the Russians. The discussion would continue interminably without result. The mere fact of appointing another commission of experts would not lead to any definite result. To get any useful result, the Russian experts must be allowed to take part in the discussions. Anything else would be a waste of time, and meanwhile Europe would be kept in turmoil. Mr. Lloyd George was prepared to accept M. Bratiano's proposal, and would be happy to discuss the question with M. Barthou. If he could have an interview with M. Barthou in the first part of the afternoon, he was willing that the meeting should be adjourned to 5 P.M.

M. BARTHOU willingly accepted Mr. Lloyd George's proposal.

THE PRESIDENT said that he had only suggested an adjournment in the hope that it might lead to an agreement between all the delegations. He gladly adopted the solution which had been accepted.

*(The meeting adjourned at 1 p.m.)*

## No. 129

S.G. 30F] *Memorandum of a Conversation at the Hotel Miramare, Genoa, on Saturday, May 13, 1922, at 3.30 p.m.*

PRESENT: *British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P.,  
The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P.,  
Sir Maurice Hankey, G.C.B., Sir Edward Grigg, K.C.V.O.,  
C.M.G.

*France*: M. Barthou, M. Colrat, M. Massigli.

INTERPRETER: M. Camerlynck.

On M. Barthou's suggestion, Mr. Lloyd George agreed that no notes should be taken at the meeting, which should be informal in character. The following memorandum is, therefore, a summary prepared from memory, and there is no formal *procès-verbal*.

M. BARTHOU began by asking if Mr. Lloyd George could agree that the proposed commission or commissions to pursue the investigations on the



subject of debts, private property, and credits in Russia should be appointed not by the Genoa Conference but by the Governments?<sup>1</sup> THE PRIME MINISTER replied that he would agree to this in a spirit of conciliation and in order to reach a general agreement. Later, however, in order to remove any misunderstanding, he pointed out to M. Barthou that it was essential that the Genoa Conference should fix the time and the place of the meeting of the commission or commissions.

The question as to whether the commission or commissions should include Russian representatives was then taken up. Before it had got far, THE PRIME MINISTER mentioned a conversation he had had the same day with the American Ambassador in Rome. He recalled that M. Barthou had seen him with the American Ambassador on Sunday.<sup>2</sup> This morning he had received a telephone message from the Ambassador asking if he could see him, with the result that the American Ambassador had come to lunch with him at the Hotel Miramare that day. The Ambassador had expressed the purely personal view to him that the United States of America might be willing to co-operate in the proposed commission on two conditions; first, that no Power should enter into a separate agreement with Russia during the continuance of the commissions; and, second, that the Russians should take part in the work of the commissions.<sup>3</sup>

Another subsidiary point which arose during the discussion of the question whether the Russians should participate was a request from M. Barthou that there should be two documents instead of one in reply to the Russian memorandum. M. BARTHOU and M. COLRAT explained that it was very difficult for the French Government to subscribe to the document which Mr. Lloyd George had prepared in reply to the propagandist part of the Russian note of the 11th May.<sup>4</sup> The French delegation had withdrawn from the memorandum of the 2nd May,<sup>5</sup> and consequently the French Government felt itself quit of the whole business and unable to associate itself in any further reply to the Russians. Apparently, however, this did not apply to the document Mr. Lloyd George had prepared regarding the definite proposals to be made to the Russian delegation.<sup>6</sup> THE PRIME MINISTER said he was quite prepared to accede to this. In fact, he would be willing to withdraw the document in reply to Russian propaganda. M. BARTHOU and M. COLRAT both then intervened to say that they thought the idea of a reply was excellent; their only difficulty was that they could not associate themselves with it.

The two above points were both introduced during a somewhat prolonged discussion on the question of whether the Russians should be represented on the proposed commission or commissions. It was obvious that M. Barthou was not personally very hostile to the admission of the Russians to the commissions, but it was perfectly clear that he was tied down by implicit instructions from Paris. Apparently, the French objection to the admission

<sup>1</sup> See No. 128.

<sup>2</sup> i.e. May 7 (see *F.R.U.S.*, 1922, vol. ii, pp. 789-90).

<sup>3</sup> Cf. No. 132, n. 17, and No. 134, n. 10, below.

<sup>4</sup> See No. 122, n. 2.

<sup>5</sup> See No. 108, Annex II.

<sup>6</sup> See No. 120, Appendix.

of the Russians was that they did not wish the commissions to be a sort of continuation of the Genoa Conference. M. BARTHOUS pointed out that the Genoa Conference had been at work for five weeks without reaching results, although it had a definite starting point in the Cannes resolutions.<sup>7</sup> The commissions, however, would not have any such starting point. They were therefore not likely to be more successful than the Genoa Conference. What he proposed was that the commissions should consist of representatives of the conference without the Russians with representatives of the United States of America if they would send them. They should first meet together and report to their Governments, advising those Governments if they thought that they could usefully get into touch with the Russians. They should, however, not meet with the Russians until their Governments had given them permission. THE PRIME MINISTER pointed out that this would merely be to go over exactly the same ground as the Genoa Conference. The commissions would correspond to the enquiries of the London experts.<sup>8</sup> The Powers would then probably have to come together in order to decide whether they were to allow the commission to meet the Russians. It would be an endless and fruitless proceeding. The whole idea of the commissions was to try and reach a business settlement with the Russians on the questions of debts, private property and credits. How could this be done without meeting the Russians and discussing details with them? On private property, for instance, the Russians, he had been given to understand by M. Krassin, were willing to restore in 90 per cent. of the cases. How could this be arranged without meeting the Russians? How could the remaining 10 per cent., which required some form of compensation, be dealt with without meeting the Russians? On the question of credits, the commission would have to find out the purposes for which the Russians wanted the credits, and their financial position, as well as what resources were available to supply these credits. Here again it would be necessary to consult the Russians. On the question of debts, he agreed that the process would be reversed and that the first thing the commissions would have to do would be to consult with the bondholders, after which it would be necessary to approach the Russians.

The Prime Minister tried various formulæ to meet M. Barthou. One of these was to the effect that the Powers should nominate commissioners to meet commissioners nominated by the Russian Soviet Government for the purpose of discussing these questions. Another variant of this formula was that the Powers should nominate a panel of commissioners to meet a panel of commissioners nominated by the Russian Soviet Government. At this point, the Prime Minister and M. Barthou appeared to be very near agreement. On both sides the precedent was mentioned of industrial disputes when representatives of the men would meet representatives of the owners to try and reach a settlement. In this connection the Prime Minister recalled his own experience as President of the Board of Trade,<sup>9</sup> many years ago, when the railway managers had refused to meet the railwaymen, and he had

<sup>7</sup> See No. 6, Appendix.

<sup>8</sup> See No. 56.

<sup>9</sup> 1905-8.

to settle a dispute by passing from one room to the other until the absurdity became so obvious that the managers themselves saw its futility. About this point Sir Cecil Hurst and M. Fromageot were sent for to receive instructions.

The Prime Minister then gave them a summary of what he understood to be the instructions, but the only result was that M. Colrat suddenly produced a formula of his own, which went back on the whole idea and brought [the] controversy back almost to the starting point.

Eventually, however, it was agreed that Sir Cecil Hurst and M. Fromageot should try their hand, and that there should be [a] fresh meeting on Sunday morning at 11 A.M.

M. BARTHOU then proposed that as some of the other Powers represented on the sub-commission had privately made rather conflicting statements to Mr. Lloyd George and himself, they should go down to the sub-commission, which was awaiting their arrival, and hear what the representatives of the other States had to say.<sup>10</sup> THE PRIME MINISTER agreed, and the meeting was adjourned until 11 A.M. on the following day, when Sir Cecil Hurst and M. Fromageot's draft would be before them.

The meeting with the other Powers is reported in a separate document. After this later meeting, it was arranged that besides Mr. Lloyd George and M. Barthou, the representatives of Italy, Belgium and Japan should be present at the Sunday meeting.

<sup>10</sup> See No. 130, below.

### No. 130

P.C.S. 10] *Meeting of Members of the Sub-Commission of the First Commission held in the Palazzo Reale, Genoa, on May 13, 1922, at 5 p.m.*

PRESENT: *President:* Signor Facta.

*Belgium:* M. Jaspar.

*British Empire:* The Rt. Hon. D. Lloyd George, O.M., M.P.

*France:* M. Barthou.

*Italy:* Signor Schanzer.

*Japan:* Viscount Ishii.

*Poland:* M. Skirmunt.

*Roumania:* M. Bratiano.

*Sweden:* M. Unden.

*Switzerland:* M. Motta.

The meeting opened at 5 P.M.

THE PRESIDENT said that Viscount Ishii and M. Motta had requested leave to speak before the adjournment of the discussion. He called upon Viscount Ishii.

VISCOUNT ISHII stated that as the observations made by M. Bratiano at the previous meeting<sup>1</sup> were almost identical with those which he himself wished

<sup>1</sup> See No. 128.

to make, he would confine himself to a few brief remarks. He agreed with M. Bratiano that the critical situation created by the Russian delegation's reply<sup>2</sup> to the memorandum of the 2nd May<sup>3</sup> made unanimous agreement and a firm attitude on the part of the Powers represented on the sub-commission more than ever necessary. The object of the conference, that is to say, the economic reconstruction of Europe and the consolidation of peace in Europe and throughout the world, was too important to be lightly abandoned. On the other hand, the critical situation created by M. Chicherin's insolent reply was of too serious a nature to justify a sudden breaking-off of the negotiations with Russia. He thought that it was the duty of every Government represented on the sub-commission to make every possible endeavour to arrive at an agreement and avoid the danger which threatened the work of the conference.

Viscount Ishii recalled that M. Barthou had referred to the declarations which he himself had made at a previous meeting.<sup>4</sup> He thanked M. Barthou for the approval which he had given to these declarations, which he still maintained, but wished to comment briefly upon them. He had already drawn the attention of his colleagues to the great danger to which the Powers were exposing themselves in negotiating with Russia, and to the necessity for prudence in these negotiations. He did not wish to prevent his colleagues from negotiating with Russia; on the contrary, he was resolved to spare no endeavour to arrive at an agreement with her, but, in his opinion, they must act with the greatest precaution. He had not himself very great confidence in the results of the work of the commission which it was proposed to set up, but he thought that no means of attaining the object of the conference should be neglected. So far as he understood from M. Barthou's remarks, there was no irreconcilable difference between the British and the French points of view. The French delegation proposed—and Viscount Ishii thought that their proposal was fully justified—that a commission should be set up composed of representatives of the neutral Powers, of the Powers represented on the sub-commission, and, if possible, of the United States. The difference was therefore limited to a question of procedure, and he thought this might well be smoothed over. They had to decide whether the proposed commission would be a mixed one and would include the Russians, or whether it would be divided into two parts, one composed of the representatives of Powers other than Russia, and the other composed solely of representatives of Russia, the two commissions being invited to meet from time to time and discuss the results of their respective labours. This difficulty, which was purely one of procedure, might easily be overcome. Viscount Ishii recalled the fact that similar difficulties had arisen at the time of the establishment of the Sub-Commission of the First Commission,<sup>5</sup> but it had been recognised later that the apprehension of some countries regarding the participation of the Russian delegates were entirely without foundation. He thought, therefore, that the composition of the proposed commission should not be a matter of insuperable difficulty. Summing up, Viscount Ishii stated that the

<sup>2</sup> No. 122, n. 2.

<sup>3</sup> See No. 108, Annex II.

<sup>4</sup> See No. 89.

<sup>5</sup> See No. 65.

Japanese delegation did not object in principle to the establishment of a commission to discuss the questions defined by the British delegation, and he expressed the sincere hope that the French and British delegations would succeed, in a spirit of mutual conciliation, in finding a formula, meeting with universal satisfaction on a question which was not one of principle, but essentially one of procedure.

M. MOTTA said that he would have liked, before speaking, to hear the statements of M. Barthou and Mr. Lloyd George with regard to the interview which they had just had.<sup>6</sup> However, he would now take the liberty of expressing his own point of view on the opinions given at the morning meeting.<sup>1</sup> He thought that the delegations were unanimous in their opinion of the Russian reply; they agreed in considering that it showed a degree of fanaticism which could only be explained by the blindness of the authors of that document. To pretend to place two social systems in opposition one to the other at a time when the new system, which it was declared humanity ought to aim at establishing, had entailed the ruin of a whole country—to pretend to place that system in opposition to the systems existing in other countries, was to show incredible lack of comprehension of actual facts. The Western Powers were not asking Russia for assistance; it was Russia who was asking their assistance because famine, epidemics and social disorder were rife in that great and unhappy country. He was glad to note that the divergence of opinions existing between the different countries represented on the sub-commission with regard to the question of nationalised property had not, after all, played a very great part in the negotiations with Russia. The situation would undoubtedly have given rise to legitimate apprehensions if the Russians had merely accepted the memorandum of the 2nd May, for there might have been disagreement between France and Belgium on one hand and the other Powers on the other. The sub-commission would then have been under the painful necessity of choosing, so to speak, between Russia on the one hand and France and Belgium on the other. With regard to the question of private property and the difference of opinion which had arisen on that point, he had noted from reading the press, particularly the Swiss press, that in some people's minds there was a very regrettable confusion. He did not think that there were two opinions before them one of which defended property with greater determination than the other; all the delegations were convinced that the defence of property is an essential and basic principle of civilisation. In a spirit of conciliation towards Russia it had been admitted that full ownership of property should not be restored to former owners, but merely right of enjoyment. The Belgian delegation had asked that the property, enjoyment of which was restored, should be the same property as that which formerly belonged to the foreign owners.<sup>7</sup> The other delegations went still further, and admitted that in certain cases property other than that which they formerly possessed might be restored to the former owners. It was not in reality a question of principle, but a question of degree of the guarantee to be obtained. He recalled the statement

<sup>6</sup> See No. 129.

<sup>7</sup> See No. 105.

of M. Barthou to the effect that France, not having adhered to the memorandum submitted to the Russian delegation, was not bound to take any special interest in the reply to the memorandum. This point of view was quite legitimate. However, he ventured to express the desire that it might be possible for the reply to the Russian memorandum to have the approval of the whole assembly, in order that they might present a 'united front' with regard to Russia.

The speaker went on to discuss the proposals submitted by Mr. Lloyd George and M. Barthou. He said that he had endeavoured to discover what the proposals had in common and what differences there were between them; to his mind they had a common objective. Both proposals aimed at avoiding a rupture in the negotiations begun at Genoa. The methods by which the result was to be achieved were, however, somewhat different. Mr. Lloyd George proposed that a mixed commission should be set up, and that the members should be nominated at Genoa. The commission, being a mixed commission, would therefore have to include representatives of Russia. M. Barthou said that it was impossible to regulate the Russian question at Genoa, but that one more effort might be made, and he therefore desired to entrust to the Governments the task of nominating commissions of enquiry to examine the various aspects of the problem and then report to the various Governments. He himself would prefer the commission to be set up at Genoa, because in that case the continuity of the efforts which had already been made and of those which were to be made in the future would be obvious. However, if M. Barthou insisted upon the principle of his proposal that the commission must be nominated by the Governments themselves, he was willing to support this point of view from a desire for conciliation. What made him particularly anxious to adopt a conciliatory attitude was the hope that the United States would agree to join the other Powers in their efforts to find a solution for the Russian problem. From this point of view, M. Barthou's proposal seemed to him preferable to that of Mr. Lloyd George. The divergence was still greater with regard to the composition of the commission. According to Mr. Lloyd George the commission was to be mixed, i.e., it must include Russian delegates. M. Barthou, on the other hand, considered that the negotiations with the Russian representatives had gone on long enough, and he thought that it was impossible to achieve any satisfactory results, and it was therefore necessary to give up all hope. He himself thought that if future negotiations were to be considered as a continuation of the negotiations begun at Genoa, it was absolutely necessary to contemplate the possibility of continuing in contact with the representatives of Russia. To negotiate in the absence of representatives of the other side would be folly, and no one would be willing to accept the responsibility for it. He thought, however, that it would be possible to conciliate the two points of view by setting up commissions which would work simultaneously. One commission would be set up by the representatives of the Powers other than Russia, and would work on the basis of the Cannes resolution,<sup>8</sup> the con-

<sup>8</sup> See No. 6, Appendix.

sequences of which the Russian delegation had recognised in practice, though opposing it from the theoretical point of view. When this commission had terminated its examination of the questions relating to debts, private property and credits, it could enter into contact with a commission consisting of Russian delegates. At the conclusion of the discussion between these two commissions, a report could be submitted to the different Governments, which would remain free to take any further action. He himself did not think that M. Barthou's proposal was to be interpreted as aiming at breaking off all discussions with the Russians. For his part, he thought it was necessary to avoid a rupture at all costs. They must prevent the unity of Europe *vis-à-vis* Russia from being broken. They must prevent a sort of race taking place for the conclusion of separate treaties. That would mean the final division of Europe for the benefit of the Government of the Soviets. It was true that countries had interests which differed greatly, and it was impossible to ask them to give up their liberty of negotiation for an indefinite period. They must fix a certain period, but during that period it was absolutely necessary that the Powers should be united *vis-à-vis* Russia in order that the latter should realise that it was to her interest to negotiate with all the Powers collectively, and not with each one of them separately. He welcomed sympathetically the idea of a pact of non-aggression. He represented a country which was essentially neutral, the most pacific country in the world, and one which had laid down as a preliminary condition of its entry into the League of Nations that its neutrality must be safe-guarded and that it should not be bound on any pretext whatever to take up arms against anyone except in the case of self-defence against an act of aggression directed against itself. Territorial questions concerning other countries did not affect Switzerland closely because her policy was inspired throughout with the idea of neutrality. But Switzerland had entered the League of Nations because she had seen in it a work of peace. The pact proposed by Mr. Lloyd George, though conceived in a provisional form, might contain the germ of a definitive peace, and was, therefore, deserving of support. If a word of peace between Russia and the other countries could be pronounced at the Genoa Conference, it would be welcomed with joy by the whole world. For these reasons, he supported Mr. Lloyd George's proposal with regard to this point.

M. BARTHOU thanked M. Motta for his observations; he assured him that if France, in view of the attitude which she had adopted, could not sign a reply to the reply sent by the Russians to a memorandum which France had not signed, she would, however, consider it essential to state her views on the subject fully. There were still some divergencies between the British proposal and the French proposal. In the first place, who was to take the initiative in setting up the Commission of Experts? Was it to be the Genoa Conference or the Governments? M. Motta thought that it ought to be the Genoa Conference, because he desired the commission to originate in Genoa. However, M. Motta need feel no apprehension in this connection, for whatever the solution adopted in this respect, the fact that the

commission had originated at the Genoa Conference could not be questioned, and even if the link of continuity between the conference and the commission was not emphasised, it would, nevertheless, be obvious to everyone that the first of these two bodies was undeniably the parent of the second. He wished also to inform the commission of the results already obtained in the course of the conversations which he had just had with Mr. Lloyd George. The latter had already concurred in the point of view expressed by the French delegation, that the commission should be nominated directly by the Governments. This was M. Bratiano's opinion also. With regard to the composition of the commission, he regretted to state that the long exchange of views which had taken place had had as yet no positive results. However, it should be pointed out that the views of the French delegation and the British delegation did not diverge so completely from one another that an agreement would have to be considered as absolutely impossible. He was convinced that there was no need to lose hope, and that a solution, which would be acceptable to both parties could be found. He thought that an agreement was possible with regard to the pact of non-aggression, on condition that the undertaking should be limited in time and space and should retain the special character required by the existing situation; that would appear to be in accordance with the views of Mr. Lloyd George. Accordingly, an agreement had already been reached on several very important points; it was understood that the experts should meet either in one or in several commissions, or in a commission with several sub-commissions, it was also understood that the commissions of experts would not meet at Genoa, and that they would not be nominated by the conference; the task of appointing and convening the commission or commissions would be entrusted exclusively to the Governments, which would take the initiative. Finally, Mr. Lloyd George and himself had agreed concerning the stipulations which had been laid down in a letter addressed by M. Jaspar to Signor Facta, the tenor of which was as follows:—

‘So long as the enquiry and the labours of the experts shall continue, and until the conclusion of the negotiations which follow with a view to arriving at a general agreement with Russia, no separate agreement shall be concluded between any of the European Governments and the Russian Soviet Government.’

The results reached were therefore extremely important. M. Barthou and Mr. Lloyd George would continue their conversations on the following day, and endeavour to reach the general agreement which they all considered necessary. It seemed, however, indispensable as a preliminary that all the delegations represented on the sub-commission should make known their views on the questions which formed the subject of the present discussion. Only some of them had so far expressed their opinions. It was important to know for certain whether there was a majority in favour of the principle of the proposals which were under discussion. It was in the interests of European peace that the inviting Powers were carrying on their present efforts;



an appeal was being made to them for assistance. It was necessary that they should know whether those who demanded such assistance accepted the proposals submitted to the sub-commission, and on what conditions they accepted them. To sum up, each delegation should make known without delay its views on the questions under discussion.

MR. LLOYD GEORGE confirmed what had been said by M. Barthou about their meeting that afternoon. They had had a very amicable discussion, and they proposed to resume it the next day. They had got a very long way towards agreement. There was one statement which was made by M. Barthou that he would like to put right, so that there should be no misunderstanding. He had said that he agreed that the responsibility of convening the Conference of Experts should be relegated to the Governments. That was not M. Bratiano's suggestion; his suggestion was that the commissioners appointed should be appointed by the Governments, and not by the Genoa Conference. Mr. Lloyd George was prepared to agree to that for the purposes of accord, but he thought the sub-commission must agree about the summoning of the conference. If they were going to leave the date and the place of the conference to discussions between Governments, and then make suggestions to the Russians, they would never have a conference at all. They must really agree as to whether that conference was to meet, and as to the time of its meeting, otherwise it would never meet at all. He wanted to say a word as to the very great importance of their coming to an agreement there, in order to prevent serious division. It was vital for the peace of Europe that the Powers sitting round that table should be able to continue the work together. There was also a practical danger of separate arrangements. If there were Powers who could not agree to meet the Russians and have discussions with them, whilst there were other Powers who were prepared to go on entering into such discussions, there might be very dangerous questions arising, especially, for instance, when they came to discuss questions of property. That was one of the questions which he hoped would be solved by means of those discussions. He was told that M. Krassin was of opinion that 90 per cent. of these properties could be returned. If that was the case, then the property question was on a fair way to solution. Compensation could then be confined to a very small proportion of the properties. But questions might arise as to whether properties which belonged to nations outside had not been given to nations who were negotiating. Accidents of that kind might happen if Governments were not there to look after their own interests; therefore, it was of vital importance that all the Governments should be represented at these discussions. The only other point he wanted to put forward was this. If they were going to have a truce which would bind the Russian Government not to enter into any hostile action against other States during that period, a truce of that kind must be reciprocal. Therefore, for all these reasons he thought it essential that they should come to an agreement. He agreed with M. Barthou that they should have a very free discussion there among themselves.

M. SKIRMUNT said that, among the States represented on the sub-

committee, Poland was the only one which had already concluded a treaty of peace with Russia.<sup>9</sup> That explained the reservation which he had been bound to observe in the course of the debates in which the proposals to be made to Russia had been elaborated with so much difficulty. The Treaty of Peace which Poland had concluded with Russia not only fixed the frontiers between the two States, but it also contained a series of financial and economic clauses similar to those now being prepared, but which did not offer all the advantages to foreigners which would be derived from such an agreement as was contemplated by the conference. Poland only enjoyed the most-favoured-nation clause. If the Polish delegation had taken part in the proceedings relating to Russian affairs, it was because it was animated in the highest degree by the desire that the conference should produce results, and that an agreement should be reached between all the Powers represented on the sub-commission. They also thought that with their knowledge of Russian affairs and their strong desire to collaborate in the work of classification, they could contribute usefully to the common task. As regards the pact of non-aggression, M. Skirmunt pointed out that, according to the general opinion, the eastern frontiers of Poland had not been fixed. To be exact, however, it must be said that the frontiers between Poland and Russia, to an extent of more than 1,000 kilom., had been clearly established by the Treaty of Peace between Poland and Russia. In this connection he observed that the Russian delegation at the first sitting of the conference, when making its reservations on the subject of the annexation of Bessarabia by Roumania, and the occupation by Japan of certain territories belonging to the Far Eastern Republic had made no reservations in regard to the situation of the territories bordering on Russia which now form part of the Polish State. The position of Poland in regard to Russia was, therefore, from a legal point of view completely settled. It was only as regards those Powers, who under the Treaty of Versailles had reserved to themselves the right of fixing the eastern frontiers of Poland, that those frontiers could be considered as not fixed. Poland had therefore no reason to fear any aggression on the part of Russia. Nevertheless, he thought that Poland also, from the point of view of general pacification, was interested in the insertion of a provisional clause of non-aggression in the agreement which was about to be concluded with the Russian Government.

M. JASPAR observed that the speeches of M. Barthou and Mr. Lloyd George showed that time had done its work, and that a reconciliation had been effected between views which at first sight appeared entirely opposed. No one could be more pleased than the Belgian delegation with the agreement between the French and the British delegations. He thanked M. Motta for his statement that the Belgian delegation was in no way responsible for the fact that the negotiations with the Russian delegation could not be carried to a conclusion at Genoa. By rejecting the extremely moderate provisions contained in the memorandum of the 2nd May, in regard to private property, the Russian delegation had taken on itself the whole responsibility for this.

<sup>9</sup> i.e. the Treaty of Riga (see No. 82, n. 9).

In reply to M. Motta's observation, M. Jaspar wished to define the position adopted by the Belgian delegation in regard to rights of property. It was not its intention to prevent Russia from giving the former owners of a fine property a still finer property in its place. The Belgian delegation had set itself against the inadmissible proposal—and M. Motta would equally refuse to admit it—that in exchange for a fine property the Russian Government should have the right to give nothing but paper. Mr. Lloyd George had just assured them that 90 per cent. of the properties would be restored. M. Jaspar was quite prepared to accept an offer on that basis. If Mr. Lloyd George's statement was in accordance with the facts, the greatest difficulty in regard to private property would be got rid of. Having said so much, M. Jaspar wished to express his pleasure that it had been possible to arrive at an agreement at Genoa on several points. It had been recognised in the first place that it was indispensable that the Russians should no longer be allowed to treat the Allies as they had done up to the present. Further, it had been agreed that it was very important not to abandon the idea of pacification, which was the basis of the conference. It was further agreed that the work of peace entered upon at Genoa must be pursued with prudence, and that the necessary guarantees must be required, but that it must not be interrupted, since it was indispensable to the restoration of the world. An agreement had been reached on the necessity of appointing commissions, and that the Governments should be asked to make the necessary appointments, and on the fixing of the programme of the work of these commissions: the question of debts, the question of private property, and the question of credits. It only remained to decide whether the representatives of Russia should take part in the work of the commissions immediately or at a later stage. In this connection, M. Jaspar wished to remark that the conference had always adopted a system from which it was desired not to depart, and which consisted in seeking to arrive at an agreement between the members of the Allied delegations, and, once such an agreement was reached, submitting it to the Russian delegation. It was not possible that there should be any great divergence of views on this point. It remained to fix the place and date of meeting of the commissions, and as M. Barthou and Mr. Lloyd George had informed them that they would continue their conversations on the following day with a view to getting rid of all the difficulties which existed, there was nothing for the meeting to do in his opinion but to await with confidence the result of these conversations.

SIGNOR SCHANZER remarked with the greatest satisfaction that the conversations between Mr. Lloyd George and M. Barthou had already led to excellent results, and he hoped that the continuation of these conversations would lead to a complete agreement. In order to give a clear idea of the undertakings contemplated, Signor Schanzer wished to make a statement in the name of the Italian delegation. M. Skirmunt had just explained that Poland was in a special situation because she had concluded a treaty with Russia. Italy also had concluded a provisional commercial agreement with Russia which contained a clause binding Italy, before the 26th June next,

to conclude a definitive commercial treaty.<sup>10</sup> Italy wished, therefore, to reserve all her rights in this matter, the more so as these rights carried corresponding obligations which she had contracted. Signor Schanzer wished to remark, however, that these commercial agreements did not in any way affect the questions with which the Commission of Experts about to be appointed would have to deal. The programme of that commission would be clearly determined; the question of debts, the question of credits and the question of private property. Signor Schanzer stated that the Italian delegation was not only favourable to the constitution of this commission, but was also of opinion that it should not be left to the Governments to discuss the place and date of meeting of the commission, but that an agreement should be reached on this point at Genoa. It was also desirable that the date should be as soon as possible, in order that there might be no breach of continuity in the negotiations with Russia. Moreover, a period should be fixed within which the Commission of Experts must complete its labours and present its report to the respective Governments. Signor Schanzer pointed out that the fact that the various Governments agreed not to conclude separate agreements before the commission had finished its work constituted a limitation of their liberty of action and a limitation of their sovereignty. The duration of this must be limited. He thought that a period of three months was sufficient. He added that he had thought it his duty to make that statement in the name of the Italian delegation in order to make it clear in what sense that delegation agreed with the proposals which had been made.

M. UNDEN stated, on behalf of the Swedish Government, that it was extremely important to continue the negotiations with Russia immediately after the Genoa Conference. He therefore agreed in principle with the proposal of Mr. Lloyd George, and he was convinced that the choice of method for the organisation and convening of the commission was not of essential importance so long as the necessity of getting to work immediately was unanimously recognised. He desired, for his part, to make a statement similar to those made by M. Skirmunt and Signor Schanzer. The Swedish Government had concluded a commercial treaty with Russia which had been submitted for ratification to Parliament.<sup>11</sup> He thought that the undertaking not to conclude separate agreements during the continuance of the work of the commission about to be appointed was not aimed at commercial agreements having a limited scope and not implying recognition of the Government of the Soviets.

M. BARTHOU wished to make a remark on the subject of Signor Schanzer's statements. The Italian Government, by means of an agreement with the Russian Government, had solved, as far as they were concerned, a certain number of questions, as Signor Schanzer had pointed out. It went without saying that the French delegation reserved all the rights of its Government in regard to a solution of the same questions. M. Barthou then asked Signor Schanzer if they might know the date on which Italy had concluded the agreement with Russia of which he had just spoken.

M. MOTTA wished to state that, if he had insisted on the danger of separate

<sup>10</sup> See No. 122, n. 7.

<sup>11</sup> See No. 102, n. 4.

agreements, he had never had in view the special commercial treaties which had been concluded by Great Britain,<sup>12</sup> Italy, Sweden and Norway<sup>13</sup> with Russia. He regarded as separate treaties only those affecting the questions which have been discussed at Genoa. In regard to M. Jaspar's remarks, he wished to observe that the divergence of views between the delegations represented on the sub-commission had not arisen on the fact that as regards nationalised property the Russian Government would grant only a right of enjoyment, and not a right of ownership in the strictly legal sense of the term. The disagreement had arisen on the following point. Belgium demanded the restoration of the enjoyment of property whenever it was materially possible to obtain such restoration. Other delegations had not gone so far. But there had never been any dispute as to the principle, but only a divergence as to the guarantees to be given. M. Motta concluded by expressing the hope that, with the goodwill of all parties, agreement would be possible, and that it might be reached at the next sitting.

SIGNOR SCHANZER thought, with M. Motta, that commercial agreements should not be included in the category of separate treaties which the Powers undertook not to conclude with Russia. With regard to the agreement between Italy and Russia, Signor Schanzer stated that it had been concluded not by the present, but by the former, Government. It was dated the 26th December, 1921, and one of its articles provided that it should be converted into a definitive agreement before the 26th June next. For the rest, the text of the agreement had already been published.

THE PRESIDENT then adjourned the meeting to Monday, the 15th May, at 10.30, remarking that in the meantime the British and French delegations would continue their private negotiations.

The meeting was adjourned at 7.55 P.M.

<sup>12</sup> See No. 31, n. 1.

<sup>13</sup> See No. 124, n. 8.

### No. 131

I.C.P. 248] *Notes<sup>1</sup> of a Meeting held at the Villa d'Albertis, Genoa, on Sunday, May 14, 1922, at 11 a.m.*

PRESENT: *Belgium*: M. Jaspar; SECRETARY: Viscount Davignon.

*British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P.,  
The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P.,  
Sir Cecil Hurst; SECRETARIES: Sir Maurice Hankey, G.C.B.,  
Mr. Pembroke Wicks.

*France*: M. Barthou, M. Barrère, M. Colrat; SECRETARY: M. Massigli.

*Italy*: Signor Schanzer; SECRETARIES: Dr. Giannini, The Marquis Visconti Venosta.

*Japan*: Viscount Ishii; SECRETARY: M. Ashida.

INTERPRETER: M. Camerlynck.

<sup>1</sup> These Notes, which were made by the British secretaries, were revised after comparison with M. Massigli's Notes.

The draft proposals<sup>2</sup> agreed between Sir Cecil Hurst and M. Fromageot, entitled 'Procedure proposed with the Object of continuing the Efforts towards a Solution of the Russian Problem,' were circulated to the meeting and read by M. Camerlynck.

MR. LLOYD GEORGE, referring to the concluding paragraph 5, which reads:—

'If no joint recommendation can be submitted within a period of        months from the date mentioned in clause 4, or if the joint recommendations are not accepted by the Governments concerned, each Government will be at liberty to make a separate agreement with the Russian Soviet Government on the matters referred to in clause 3,'

said that he would prefer to see this stated in a different way. The present plan would give the Russians the idea that the Powers were willing to make separate agreements and would encourage them not to make a general agreement. It could be put in another way by a simple declaration that recommendations must be made within three months, and that in the meantime the Governments should bind themselves not to make separate agreements.

M. BARTHOU said that he agreed with Mr. Lloyd George, but for the moment he would leave the question of separate agreements and confine himself to general questions. There were two main questions which governed the situation: (1) The Commission of Experts; (2) the pact of non-aggression and no propaganda. The latter he would postpone in order to clear up the first. The French Government could not accept the idea that it should be finally decided at Genoa that a commission of non-Russian experts should enter into relations with Russian experts. The French Government desired to retain complete liberty of action. There were two alternatives, either that the Powers should start immediately with the general statement which the French would not sign but in which they would concur subject to reference to their Government, or secondly, they might put in a joint paper, each Government reserving freedom of action. In drawing up the document which he was about to read to the meeting he had two things in mind—to establish an intimate connection between the Commission of Experts and the Genoa Conference and to determine the conditions upon which the United States of America would join in the deliberations. The document which M. Barthou read to the meeting contained the following provisions:—

That the signatories should recommend to their Governments to convene a commission of experts to examine the Russian problem on the basis of the Cannes resolutions,<sup>3</sup> taking into account the work that had been done at Genoa, and dealing with debts, private property and credits, and that the Inviting Powers should issue a joint appeal to the United States of America asking them to participate. These Powers and the United States of America

<sup>2</sup> Not printed: for the final version of the proposals, see No. 132, Annex, below.

<sup>3</sup> See No. 6, Appendix.

would fix the place and date. (Here M. Barthou interpolated that he was anxious to bridge the gulf between the Genoa Conference and the Commission of Experts.) While he expected the United States of America would join it was difficult to fix a date in advance, and, therefore, it was better that the date should be fixed by common agreement after the United States of America had accepted. The commission, having gathered the necessary information, would draw up a report and issue recommendations to their Governments who would decide under what conditions the Governments should enter into negotiations with the Soviet Government. What was wanted was to include in one formula the provision retaining complete liberty to the Governments and at the same time ensur[ing] free intercourse between them. There were certain difficulties of a minor order which should prove easy of solution, but the main difficulty was a real one, although not insurmountable. He thought it should be possible to find a means to preserve the freedom of action of the French Government and its liberty to determine, after receiving the experts' report, whether it should enter into relations with the Russians or not. A similar liberty should, of course, be accorded to the other signatory Powers.

MR. LLOYD GEORGE said that M. Barthou's statement was very disappointing. There was no advance on the position taken on the preceding day.<sup>4</sup> If the French Government could not see their way to meet him, he and those Powers which agreed with him would have to go on with the conference of experts leaving the others out. The problem remained the same as before. How would it be possible to carry on discussions without the Russians being present; with no one of whom to ask questions? The discussion would be void and useless in their absence. No time would be fixed and no place, and it would be left to the twenty Governments concerned to correspond about them with endless delays and the possibility of a failure to agree. At the end the experts would meet in order to discuss and decide whether to go on. He regarded the suggestion as so futile that it was impossible to take part in a farce of this description. He had thought that they had made greater progress on the day before; in fact, he had advanced a good deal to meet the point of view of the French. He had agreed to the experts being appointed by the Governments instead of by the conference. He had agreed that the experts of the Powers should meet together before approaching the Russians. It was now proposed that any Government should be at liberty to withdraw. By all means let that be so, but that was a different thing from meeting to decide whether they should meet the Russians. It was a new proposal. He would not have refused to agree that each Government should have complete liberty of action, but the postponement of the fixing of the time and place of the meeting of the Commission of Experts was an impossible position. M. Barthou said that it was suggested in order to meet the convenience of the United States of America. The previous day he had had a conversation with the Ambassador of the United States of America which he had immediately communicated to M. Barthou

<sup>4</sup> Cf. Nos. 128 and 130.

and Signor Schanzer.<sup>5</sup> He suggested that the Powers should come to an agreement forthwith and immediately communicate their decision to the United States of America and find out whether they would take part before sending an invitation. Indeed, he understood that the French had already made a communication, but that was useless. The United States Government would not accept until they knew what it was they had to take part in. Supposing an agreement were reached that afternoon, the American Ambassador, Mr. Child, could send it to his Government the same night. The time and place could be named—some non-controversial place, such as Copenhagen or Riga, where the press would not be too much in evidence. Mr. Child said there would be no difficulty in getting a reply from his Government within twenty-four hours. Mr. Child had on his own initiative visited him again that morning and had emphasised that it was no use referring to his Government unless there was a definite proposal. The date and place could be discussed and fixed before they left Genoa. What was the use of repeating the dilatory proceedings with which they were familiar. They were faced with enough difficulties already; so much so, that there was a very real danger of their close understanding falling to pieces. He was willing to take the proposal in the text, reserving the fullest freedom of action for the French Government. Nothing in the document could fetter the liberty of the French Government, but if it was proposed merely to have another conference of experts on the lines of the London conference, he would take no part in such a farce.

M. BARTHOU said that Mr. Lloyd George at the end of his remarks had made use of an expression which was a little strong and not quite fair, when he had referred to the proposal as a farce.<sup>6</sup> (They had spent five weeks over the Genoa Conference, and he felt that their proceedings should not be called by that name.) However, he would leave words and get to facts. Mr. Lloyd George had discussed both minor points and also the main question. On the former he had no doubt agreement would be reached. On the third point, as to the date and place of meeting of the experts and the conditions under which the United States should join, he thought that the place and date could be agreed on. If the procedure he had proposed appeared too long and Mr. Child could be asked to consult his Government and get a quick answer he (M. Barthou) would be ready to try and meet Mr. Lloyd George in the matter. He could not agree that the proposal that the Committee of Experts should meet and report to their Governments would be futile because it was a repetition of the London proceedings.<sup>7</sup> The Genoa Conference had met in the interval and the experience of the last few weeks, and the events which had happened, made a new feature. The work had not been useless. The experts, moreover, would be different. Instead of merely having a meeting of the inviting Powers, all the Powers on the First Sub-Committee and the United States would be represented.

<sup>5</sup> See No. 129.

<sup>6</sup> This sentence appears only in the British Secretary's Notes of this Meeting.

<sup>7</sup> See No. 56.



There was a boulder blocking the path, and he required help to remove it. He wanted to find a formula reserving liberty to the French Government, who could not accept a proposal that the experts should immediately come into touch with the Russians. He had never altered that view. As to the proceedings of the day before, no record had been kept and the interpreter's notes had been burnt, and apparently his recollection and that of Mr. Lloyd George did not agree. They might draw up their answer to the Russians and make a proposal for a commission of experts. To that France could adhere whilst reserving the freedom of the French Government, or they could make a joint answer to the Russians, and in that case liberty of action to the French must be reserved as to the time of contact with the Russians.

MR. LLOYD GEORGE said that he thought they were getting nearer to agreement. He had had no intention of using offensive words and was very sorry if anything he had said had given a wrong impression. In using the word 'farce' he had meant that for the experts to meet without coming into contact with those with whom they were to negotiate would be a very pleasant picnic, but nothing more. M. Barthou had said that they might suggest to the United States of America and the Russians, the time and place for a meeting, and ask the United States if they agreed, but the French Government said that before they would have any contact with the Russians they must have preliminary conversations with the non-Russian Powers, and if after these preliminary conversations and a report to their Government they came to the conclusion that they could not proceed, they must reserve their liberty of decision not to meet the Russians. He invited M. Barthou's attention to the words of the document produced as a result of the discussion of the preceding night, which had just been circulated:—

'Agreement between the Allies and the neutrals that before the meeting of the expert commissions (say fifteen days before), a preliminary exchange of views should take place to consider the line of action to be adopted towards the Russians by the Allied and neutral experts.

'Each Government will then in the light of this exchange of views intimate, unless it has already done so, whether or not it intends to take part in the commission.

'Unwillingness to do so on the part of one Government will not prevent the meeting of the commission on behalf of other Governments.'

That gave complete liberty of action. The words had been produced by M. Fromageot. Any Governments which wished to withdraw were completely at liberty to do so, and by doing so would not break the conference. For example, supposing the non-Russian experts met and had three days' discussion before the arrival of the Russians. At the end of that time the French could report to their Government and the French Government could reply there was no use going on, the French delegates were going to retire. That was the most complete liberty of action. Moreover, they could withdraw in the middle of a conversation with the Russians if they desired.

The words produced by M. Fromageot seemed to give the most complete liberty of action for any Government.

M. BARTHOU said he was very much obliged to Mr. Lloyd George and they were now not merely a long way on the way to agreement, but were actually in agreement. As the clause to which Mr. Lloyd George had referred did not appear in the actual text of the clauses in the latter part of the agreement, but only in the preamble, he had not understood its full binding effect, but as Mr. Lloyd George was ready to accept paragraph 2, it gave him great satisfaction, and he suggested that as Mr. Lloyd George was a good lawyer he should draw up a formula representing what he had just said.

M. JASPAR suggested that the words might be used that an exchange of views should take place to consider on what terms they would meet the Russians and consider their line of action.

MR. LLOYD GEORGE said that that would be a little offensive to the Russians.

M. BARRÈRE said that it was not meant to impose conditions on the Russians, but to state the conditions under which the meeting would take place.

SIGNOR SCHANZER said that he was very glad that M. Barthou was moving forward to get nearer to Mr. Lloyd George's point of view, and he could see that an agreement would be reached. He understood from M. Jaspar that the French Government thought it essential to reserve their freedom of action. That appeared to be provided for in the text, and he thought nothing else was necessary. Under article 2 it would be possible for the French Government to withdraw at any time. If the words suggested by M. Jaspar were added, he thought they would go too far, as it would suggest that other States did not want to meet the Russians. That should not be left in doubt, as it was quite clear that they could not negotiate without the Russians, and the document must not be drafted in such a way as to suggest that the meeting [with] the Russians was a matter of doubt.

SIR LAMING WORTHINGTON-EVANS said he did not like the words 'line of action' in line 7 of paragraph 2.

MR. LLOYD GEORGE said what the Allies wanted was to arrive at an agreement among themselves as regards policy, and he would therefore suggest a phrase: 'That a preliminary exchange of views should take place with a view to obtaining agreement as to the outlines of the policy to be adopted in negotiating with the Russians.'

SIR CECIL HURST intervened and said that when M. Fromageot and he had drawn up the document it was not intended that the first part should be communicated to the Russians, but only that part headed 'Draft Clauses' from the middle [with] page 2 onwards.

MR. LLOYD GEORGE agreed that the Russians had nothing to do with the first part.

M. JASPAR concurred. There was nothing offensive to the Russians in the first part, but there was no reason for them to see it.

M. BARTHOU said that the French delegation agreed that the meeting

should take place, and after that every Government should come to a decision whether its representatives should take part in the meeting with the Russians.

MR. JASPAR said that, in that case, words were not so important, as they were not to form part of a formal document, although no doubt they would be published in the press.

MR. LLOYD GEORGE pointed out that the Russians would be sure to meet alone to discuss the matter, and why should not the Powers do likewise? He enquired whether the words he had suggested were agreed to.

It was decided to leave the text as drafted instead of adopting the new formula proposed by Mr. Lloyd George. (On the suggestion of M. Colrat it was agreed to substitute in the French version of the text on page 1, paragraph 2, clause 2, the word 'rencontre' instead of 'reunion,' in order to make it clear that the word 'meeting' in the English text applied to informal conversations with the Russians as well as to the formal meeting with them in the commission.)<sup>8</sup>

M. COLRAT enquired whether the Germans would be outside the commission.

MR. LLOYD GEORGE agreed that the Germans had put themselves outside by the agreement they had made with the Russians.<sup>9</sup>

The meeting proceeded to consider clause 1 of the draft clauses.

SIGNOR SCHANZER pointed to the words 'the Powers mentioned above agree that a commission of experts shall be appointed'. These words no longer applied; by the time the commission met it would be known what Powers would be represented. The clause should, therefore, be left blank until the first preliminary meeting.

SIR CECIL HURST explained that the draft articles were in fact a separate document. When the document was prepared it had been assumed that there would be a reply to the propagandist part of the Russian note<sup>10</sup> and that those clauses would come at the end of it. The phrase, 'the Powers mentioned above,' therefore, referred to the signatories to the reply<sup>11</sup> to the Russian document and had nothing to do with the Powers concerned in convening the preliminary meeting.

MR. LLOYD GEORGE drew attention to paragraph 3 of clause 1 of the first part of the document:—

'The list of States to be represented in the commission and the number of their representatives will be drawn up provisionally, and so far as may be possible, at Genoa. The definitive list will be settled after the preliminary exchange of views.'

As it would be impossible for all countries to meet, a decision would have to be taken as to what Governments should take part. Germany was out of it by the agreement they had made. Holland, Norway and Denmark had great interests in Russia. Switzerland and Sweden were already on the commission.

<sup>8</sup> This paragraph appears only in the British Secretary's Notes of this Meeting.

<sup>9</sup> i.e. the Treaty of Rapallo (see No. 75, n. 1).

<sup>10</sup> See No. 122, n. 2.

<sup>11</sup> See No. 120, Appendix.

M. BARTHOU said that if the meeting were to take place at The Hague, Holland must be included. The Hague seemed to be suitable as an international centre and there would be good accommodation.

Some discussion took place as to the best place of meeting from the point of view of accommodation, accessibility to the capitals of Europe and quick means of communicating with Russia, and finally it was agreed that the meeting should be at The Hague.

The conference then proceeded to consider the time of the meeting of the Commission of Experts, and, after discussing various dates, agreed that the experts of the Powers should meet on the 15th June, and that the Russians should be invited to join them on the 26th June.

M. BARTHOU asked whether the question of the pact of non-aggression might not be left until the end of the day.

MR. LLOYD GEORGE said if agreement were reached at once, the text of the agreement could be given to the American Ambassador and he could wire to his Government. He would probably get a reply the following day.

M. BARTHOU said he was lunching with the American Ambassador that day.

MR. LLOYD GEORGE said that in that case if an agreement could be reached M. Barthou could give him the text to be telegraphed to America.

M. BARTHOU agreed that the text could be given so far as they had gone.

MR. LLOYD GEORGE demurred—that it must be either the complete text or nothing.

The conference therefore decided to adjourn, and to meet again at 4.30 this afternoon.

*Hotel Miramare, Genoa, May 14, 1922.*

## No. 132

I.C.P. 249] *Notes<sup>1</sup> of a Meeting held at the Villa d'Albertis, Genoa, on Sunday, May 14, 1922, at 4.30 p.m.*

PRESENT: *Belgium*: M. Jaspar; SECRETARY AND EXPERT: Viscount Davignon.  
*British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P., The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P.; SECRETARIES AND EXPERTS: Sir Maurice Hankey, G.C.B., Mr. Pembroke Wicks, Sir Edward Grigg, K.C.V.O., C.M.G., Sir Cecil Hurst.  
*France*: M. Barthou, M. Barrère, M. Colrat; SECRETARIES AND EXPERTS: M. Massigli, M. Fromageot.  
*Italy*: Signor Schanzer; SECRETARIES AND EXPERTS: The Marquis Visconti Venosta, Dr. Giannini.  
*Japan*: Viscount Ishii; SECRETARIES AND EXPERTS: M. Ashida, Dr. Hatoyama.  
INTERPRETER: M. Camerlynck.

<sup>1</sup> These Notes, which were made by the British secretaries, were revised after comparison with the French Notes.

*The Reply to the Russian Note of May 11.*<sup>2</sup>

M. JASPAR said that clause 3 of the draft clauses had not been settled. It was a question whether they should not limit the terms of reference to a simple enunciation of the subjects to be considered—debts, private property, credits, etc.

SIR L. WORTHINGTON-EVANS asked what objection there was to the clause as it stood?

M. JASPAR said that it would be better to keep the clause in general terms, in order that the commission should enjoy full powers.

M. BARTHOU said the text had been very well done, and he could have accepted it on the eve of Genoa, but now that the Genoa Conference had met it would be better to have a broad formula.

VISCOUNT ISHII asked whether the idea of clause 3 was that the Russians must not be allowed to make a counter-claim?

MR. LLOYD GEORGE said that was not quite what had been done in the report of the London experts,<sup>3</sup> where some consideration of the counter-claim was taken into account, and similarly in the document produced at the Villa d'Albertis.<sup>4</sup> He thought the matter was one for the experts to settle. The Powers would not want to raise it, but if it were raised their position was quite clear.

SIR CECIL HURST said that he was a little apprehensive of the proposal to draft this clause in general terms, because the commission might find itself, on meeting the Russians, involved in a terrible argument on the meaning of the term 'debts'.

M. BARTHOU said that he was in favour of standing by M. Jaspar's proposal, and agreed with Viscount Ishii with regard to the interpretation to be given on the question of the Russian counter-claim. If any detail were inserted they would have to put in definitions of 'pre-war debts,' 'war debts,' etc.

It was agreed that the terms of reference in clause 3 should be limited to a simple enunciation of the subjects to be considered—debts, private property and credits.

It was agreed that, on clause 4, the place to be inserted should be 'The Hague,' and the time 'June 26,' as agreed at the morning meeting.<sup>5</sup>

It was suggested, on clause 5, that 'three months' should be inserted as the period.

M. Barthou thought three months would be rather too short.

SIGNOR SCHANZER pointed out that the clause was not quite clear. Were the three months to run from the beginning of the work of the commission, or from the time they made their recommendations to their Governments?

M. BARRÈRE said that on the previous day a decision had been taken not to conclude any private arrangements with the Russians. If the period of three months were fixed, that would be restricting what had been fixed by the sub-commission on the day before.

<sup>2</sup> See No. 122, n. 2.

<sup>3</sup> See No. 56, Appendix.

<sup>4</sup> See No. 74, Appendix.

<sup>5</sup> See No. 131.

MR. LLOYD GEORGE said that that did not represent the agreement they had come to on the preceding day.<sup>6</sup>

SIGNOR SCHANZER said the period would elapse in three months. Was that three months to include the time to be taken by the Governments in arriving at decisions on the report of the commission?

M. BARTHOU suggested that the Commission of Experts should have three months, should then report to their Governments, and that the Governments should then be free to act as they thought fit. He thought that three months in all, for discussion with the Russians, the report and the decision of the Governments, was too short, as it would require a decision by the Governments by the end of September.

MR. LLOYD GEORGE suggested that the experts should have three months to study the question, and the Governments should be given one month to consider the report.

M. BARTHOU concurred.

SIR L. WORTHINGTON-EVANS said that it was proposed that clause 5 should be transferred from the second part of the agreement to the first part, which would not be communicated to the Russians.

(This was agreed to.)

VISCOUNT ISHII said that he wanted to make clear the position of Japan in the matter of separate agreements.

The Japanese had troops in Eastern Siberia<sup>7</sup> which they wished to withdraw as soon as possible. They were keeping them there on account of the terrible condition of the country, and owing to a terrible incident, when a number of Japanese nationals, including the consul and women and children, had been massacred. Japanese public opinion had been very much moved by this. Japan wished to have an arrangement with the responsible Government of Siberia, and if, as a result of the undertaking not to conclude separate agreements, the Japanese would be compelled to withdraw their troops, then it would be impossible for them to concur in such an agreement.

MR. LLOYD GEORGE said that the proposed agreement would not involve the Japanese in withdrawing their troops from any position they held. Clause 5 was founded on the *status quo*.

VISCOUNT ISHII said that it had been his impression that the Russians would find in the clause a reason for asking for the withdrawal of the troops. He therefore asked the jurists to safeguard the position.

MR. LLOYD GEORGE pointed out that it would be most unlikely that the Russians would be satisfied with the clause. They might raise the question on it and try to get words inserted to meet the case, but there was no doubt that the clause as drafted fully covered the Japanese position.

M. BARTHOU concurred that Viscount Ishii's fears were removed by the clause, which was based on the *status quo* existing to-day.

<sup>6</sup> The section in italics appears only in the British Secretary's Notes of this Meeting. Cf. No. 130.

<sup>7</sup> See No. 89, n. 9.

SIR CECIL HURST read the following clause, which would cover the point:—

‘The provisions of clause 6 are not intended to prevent the making of a special agreement between the Imperial Japanese Government and the Russian Soviet Government with regard to their relations in the Far East.’

MR. LLOYD GEORGE thought it would be a mistake to raise the question. The Japanese Government was protected. If they started to raise this question all kinds of objections would be made on the other side. All that the Powers desired was an undertaking that there should be no movement of troops on either side.

VISCOUNT ISHII said that if it was agreed that the Japanese might keep their troops in Eastern Siberia, and that the clause would permit this, he would withdraw his proposal.

MR. LLOYD GEORGE agreed that it was impossible to demand that before the commission should sit the Japanese troops should be withdrawn.

M. BARTHOU enquired why the pact of non-aggression should be so widely drawn; could it not be limited simply to Russia and the boundary States? The other Powers were not likely to attack Russia. The whole question of non-aggression related to Russia, and was one between Russia and her neighbours. Great Britain, France and Italy had signed the Treaty of Versailles, article 10 of which consisted of a non-aggression clause. There appeared to be no advantage in repeating it, nor in extending its scope.

MR. LLOYD GEORGE said the Treaty of Versailles did not apply to Russia and did not deal with the boundaries of Russia. It was not merely a question of the limitrophe States. Great Britain had been waging war in Russia for over a year, had supported Denikin<sup>8</sup> in force, there had been French troops at Odessa, Greece had had two divisions in Russia, and Japan and Italy (as Signor Schanzer reminded him) had also been waging war in Russia. Four of the Powers represented at the meeting had been waging war in Russia within the last three years.<sup>9</sup> The non-aggression pact must therefore not merely cover Czechoslovakia, Poland and Roumania; the other Powers must engage not to attack Russia. None of the above was covered by the Treaty of Versailles.

M. BARTHOU said that the point was covered not only by article 10, but by another article which dealt with countries not members of the League of Nations.

SIGNOR SCHANZER said that article 10 of the Treaty of Versailles merely bound the Powers to repel any aggression, but did not prevent the signatories from committing aggression themselves. They must maintain the treaty if any act of aggression were committed against it, but that did not prevent acts of aggression against countries outside the League of Nations.

MR. LLOYD GEORGE said that war had been waged against Russia since the Treaty of Versailles was signed. That meant that the Powers had never considered war against Russia as being within that document. No one had ever suggested it. It was not a matter for reference to the League of Nations.

<sup>8</sup> See No. 1, n. 8.

<sup>9</sup> See No. 89, n. 20.

Therefore it was impossible to deal with Russia in that way until it entered the League of Nations. She must be dealt with on a separate basis altogether.

M. BARTHOU *desired that in no case should it be suggested that any attack was being made in any way upon the rights which the Powers held under the Treaty of Versailles.*

MR. LLOYD GEORGE *replied that the Pact only applied to relations between Russia and the other States.*

M. BARTHOU *realised this, but it was necessary to take account of the difficulties which would be met sometimes in dealing with public opinion. There was, moreover, another difficulty. The signature of a document of this kind would imply directly or indirectly the recognition de jure of the Russian Government.*<sup>10</sup>

MR. LLOYD GEORGE said that they had interchanged documents with Russia already, but they did not regard that as *de jure* recognition. *De facto* recognition—yes, but not *de jure*. If they were to go out of their way to say that it did not amount to *de jure* recognition, that would be merely provocative. He was quite sure that it would not amount to *de jure* recognition until the final treaty when the Russian Government was officially recognised.

M. BARTHOU realised Mr. Lloyd George's objection. The document would go to the Russians, but there would be two States who would not sign it, but would answer independently. He assumed that they would not be forbidden to say that their answer did not involve *de jure* recognition.

MR. LLOYD GEORGE said there was no reason for taking that course. As soon as he got back to England he would make it plain in his Parliament that the signature of the document did not involve *de jure* recognition, which would not be accorded until the final agreement. For the French and Belgians to say that their answer did not involve *de jure* recognition might imply that the document from the other Powers did involve it.

M. BARTHOU said that he would not insist on this point.

VISCOUNT ISHH said that it had been decided on the previous day<sup>5</sup> that no separate agreement should be concluded with Russia. His Government wished to arrange with the responsible Siberian Government for the protection of goods and property. He hoped that would not be taken to be a breach of the undertaking referred to.

SIGNOR SCHANZER said that the point was a vital one, and should be made clear. It should be understood that the proposal not to conclude separate agreements applied only to questions within the four corners of the document, and all Powers reserved their rights of concluding economic agreements of

<sup>10</sup> In the British Secretary's Notes the section in italics read as follows: 'M. BARTHOU said that what he had in mind was that the present document must not be held to encroach in any way on the sanctions of the treaty. He did not believe it would himself, but he must draw attention to the point. If the document were confined to the limitrophe States, Russia would be perfectly secure. Public opinion in France was ticklish upon the point. They would be apprehensive of any action that might deprive them of their rights. As a lawyer and a politician he knew there was no danger, but the public would not believe it.

'Passing to another point, however, he would like to know whether, if signatures were exchanged with Russia, it would not amount to recognising the Soviet Government.'



the kind referred to at the meeting of the First Sub-Commission on the preceding day.<sup>11</sup>

VISCOUNT ISHII continued that the agreement he had in contemplation referred to damages, which was a matter within the purview of the Commission of Experts though of local interest.

SIGNOR SCHANZER said, on the general question of procedure, that he understood that certain of the clauses would be transferred from the document which would be communicated to the Russians to that part which would be agreed only between the Powers themselves. He wanted to be clear that the agreements should be made at Genoa, and that the document containing the terms of reference, place and date of meeting, and pact of non-aggression, should not be left for reference to the Governments concerned, but should be signed forthwith. Delegations represented their various Governments, and the agreement should issue from the conference.

M. BARTHOUS thanked Signor Schanzer for drawing attention to the point. The French delegation could not give an undertaking of that kind. Even if the Russian note had not been received, the French delegation would not have been able to sign the proposed document, but as it was, since they had [not] been parties to the previous memorandum,<sup>12</sup> to which the Russian note was a reply, they could not now sign the rejoinder, although others could do so. The French delegation must reserve their freedom, but would recommend to their Government that the agreement which had been concluded at Genoa should be adopted. Further than that they could not go.

M. BARRÈRE suggested that instead of referring to a pact of non-aggression, in order to retain diplomatic forms they should substitute for this an undertaking to maintain peaceful relations, which was the same thing but less aggressive.

MR. LLOYD GEORGE suggested that the phrase 'pact of non-aggression,' the object of which was to stop aggression, had been accepted and understood. He was not aware that 'pacific relations' was a diplomatic phrase. He could not venture to enter into argument with so distinguished a diplomatist as M. Barrère. He felt, however, that non-aggression was a phrase which had attracted public attention and was understood by everybody. It was based on the highest authority—the text of the Cannes Resolutions.<sup>13</sup> Mr. Lloyd George then said that Sir Laming Worthington-Evans had collected together the clauses belonging to the two parts of the agreement, placing in one group those for agreement among the Powers themselves, and, in the other, those for submission to the Russians. This would constitute the document to be placed before the meeting of the Sub-Commission of the First Commission on the following morning, subject to anything further that might be said at the present meeting.

M. JASPAR asked what the procedure would be. He agreed with M. Barthous that the French and Belgian Governments, who had not signed the original note to the Russians, should not participate in this document. The other Powers would sign the document to the Russians in the form of a

<sup>11</sup> See No. 130.

<sup>12</sup> See No. 108, Annex II.

<sup>13</sup> See No. 6, Appendix.

letter in answer to their note. The French and Belgians in the First Sub-Commission would say that they associated themselves with the agreement, and would recommend to their Governments the acceptance of the clauses. There would not be a treaty signed by the Powers with the Russians at this stage.

MR. LLOYD GEORGE said that that brought them back to the same question as before. He assumed that all those who could sign would sign. There were some Governments [*sic*] who could not sign, but would go home and see if their Government would allow them to agree. If there was to be a truce they must get the Russians to sign it. If the Russians did not sign an agreement that she would not attack her neighbours, she would not be bound. If Russia signed, she would expect the others to sign. For example, the truce with Germany during the war had been signed by everybody.

SIGNOR SCHANZER said that he would like to explain the procedure again. The French and Belgians did not sign the original note to the Russians and would not sign the reply to the Russians. M. Jaspar suggested that the answer should be sent to the Russians by letter, but he proposed, in order to avoid endless discussion with the Russians, that the document should be submitted to the meeting of the sub-commission without the Russians and the Germans on the following day. That on the day after there should be a meeting of the full committee with the Russians to whom the document would be handed, when they would have to say yes or no. If they did not accept that would be an end of the business. If they accepted they must sign and the other Powers would sign at the same time. The French delegation had not signed the original memorandum in order to reserve freedom of action to their Government, but as they were prepared to accept the agreement he did not see why they should not sign the document. What did the document imply? It merely implied that commissions of experts would be set up; that every Government would be at liberty to withdraw at any time and that a pact of non-aggression should be entered into. What was to prevent the French from signing that?

M. BARTHOU said that he spoke only on behalf of the French delegation. There were two alternatives. The Russians might refuse and then all the nations were on the same footing. If the Russians accepted, there were two possibilities, that indicated by Mr. Lloyd George and that indicated by Signor Schanzer. He preferred Mr. Lloyd George's proposal, when he said that if the Russians accepted everyone would have to choose whether they would sign or whether they would not sign, reserving the rights of their Governments to sign later. He did not wish to question the right of other nations. Let those sign who wished to. The French delegation could not for the moment, but that was no contradiction of the fact that they had accepted the document. The Commission of Experts would depend upon the pact of non-aggression. The former could not operate successfully without the latter. No one would contest their right to make a recommendation to their Government who would take the final decision. The position they took up was quite consistent with the attitude they had adopted all along.

MR. LLOYD GEORGE said he recognised M. Barthou's difficulties and he did not want to do anything to increase them.

SIGNOR SCHANZER said that he wished to associate himself with the expressions of amity and respect for M. Barthou's position.

M. BARTHOU expressed his thanks to Signor Schanzer and Mr. Lloyd George, and said that he was happy to observe that they were in agreement.

M. JASPAR concurred. When the Russians had given their answer each Government would see what it had to do.

MR. LLOYD GEORGE said it was no use having a meeting the following day, unless the French and Belgian delegations were prepared to recommend the agreement to their Governments.

M. JASPAR said that undoubtedly he would recommend it.

M. BARTHOU said that if the Russians accepted, the French delegation would certainly recommend the document to their Government. There was no doubt as to their attitude on that point.

M. JASPAR said that he had raised in a letter to Signor Facta the point that in the Political Commission they should decide that while the Commission of Experts was sitting, none of the nations should have any part or dealings involving the ceding to third parties of Russian properties formerly belonging to any of their nationals.<sup>14</sup> If there was general agreement on this, he would not insist upon it being formally brought up at the meeting. He understood that the British Government concurred, because he had seen a letter from Sir Philip Lloyd-Greame to a British company in this sense.

M. BARTHOU agreed that it amounted to a pact of non-dispossession.

MR. LLOYD GEORGE said that his Government would certainly deprecate any arrangement of the kind while the experts were sitting.

SIGNOR SCHANZER made the same statement on behalf of the Italian delegation.

VISCOUNT ISHII said he had no knowledge of the communication M. Jaspar had made, and therefore he was unable to express an opinion.

MR. LLOYD GEORGE asked how many experts would be appointed on the commission, and suggested two for each nation.

SIGNOR SCHANZER thought two, if possible.

M. BARTHOU said that so far there was complete agreement, and it was going to the sub-commission. Was everything to be decided at the present meeting, leaving the sub-commission nothing to do? He thought that would place them in rather a humiliating position. Might this matter not be left to them?

MR. LLOYD GEORGE said they must make recommendations to the sub-commission, who were free to intervene and make amendments, but they really had asked the inviting Powers to work things out for them and advise them. He thought two was a reasonable number.

SIGNOR SCHANZER said they must have a plan for the sub-commission. Let it be two experts for each of the inviting Powers. How many would be

<sup>14</sup> See No. 130.

allotted to the other Allies and neutrals? They ought to settle first what other Powers were to be there.

MR. LLOYD GEORGE said that had been discussed that morning. Two experts from twenty-five Powers would make fifty members, which was too much. They must first decide what Powers were really interested in the questions of credits, property and debts in Russia. It was no use in sending experts of countries who were not directly interested. First, there were all the Powers in the sub-commission of the First Commission. Then there were three other Powers that owned bonds or property in Russia: Holland, Norway and Denmark. The only other Power that had a direct interest was the United States.

M. BARTHOU pointed out that Czechoslovakia had material and political interests. It would be very difficult not to include that country. Czechoslovakia had more direct interests than the United States. Why should they not be included?

MR. LLOYD GEORGE said that in that case why not add Jugoslavia, Bulgaria and particularly Greece, which had a large amount of property in South Russia. Spain, too, would be in a position to give credits, being a country with a large gold reserve, and in that case it would be difficult to exclude Portugal. Following that line of argument, there was only one alternative, to get everybody there and let them appoint a smaller commission to deal with the Russians as had been done at Genoa.

M. BARTHOU *accepted entirely this last proposition. He was indeed certain that countries not interested in the question would themselves withdraw, and that others would make arrangements to be represented by a single Delegate. In this respect he drew attention to the point that the Little Entente had been represented by a Czechoslovakian on the Committee of Experts and the First Sub-Commission.*<sup>15</sup>

MR. LLOYD GEORGE said then let all the nations send experts, and let them choose a certain number to meet the Russians.

M. BARTHOU said that he assumed that Germany would not send experts.

MR. LLOYD GEORGE concurred. The Germans had made an agreement of their own.<sup>16</sup>

M. BARTHOU said that some nations would not accept the invitation but would come to an understanding with their neighbours to represent them. All would be invited and, therefore, would be free to make their own arrangements.

MR. LLOYD GEORGE said all had better be invited. There should be two representatives for each of the inviting Powers and the United States, and one for each of the other States. Let them go to The Hague and then choose the body to deal with the Russians.

SIGNOR SCHANZER asked whether it could be arranged that the inviting Powers should have at least one expert on the Negotiating Sub-Committee.

MR. LLOYD GEORGE said no doubt the inviting Powers would be put on,

<sup>15</sup> In the British Secretary's Notes of this Meeting, the section in italics read: 'M. BARTHOU said he would agree if Mr. Lloyd George preferred that.'

<sup>16</sup> i.e. the Treaty of Rapallo: see No. 75, n. 1.

but it would be a mistake for that to be put in the document. It would show mistrust. The other Powers had treated the inviting Powers very well and there was no reason to doubt they would continue to do so. The inviting Powers should stand by one another in the matter of representation. If they all stood together they would get whatever they wished.

SIGNOR SCHANZER said that public opinion and the impression produced on the public mind in Italy was that Italy might not be represented.

MR. LLOYD GEORGE said that it was inconceivable that the three greatest European Powers should not be in the Negotiating Committee.

It was decided that the document should be altered to the effect that invitations to The Hague should be sent to all the nations represented at the Genoa Conference. It was understood that there would be two representatives in respect of each of the inviting Powers and the United States of America, and one for each of the other nations, though this does not appear in the official *procès-verbal* compiled at the conclusion of the meeting.

M. BARRÈRE said that he had spoken to Mr. Child, the American Ambassador, that afternoon, who said that he would be happy to see the document and send it that day to his Government.

MR. LLOYD GEORGE said that the jurists should put the document in final form and a copy should go to Mr. Child at once.

M. BARTHOUS said that there was a possible point of objection. The sub-commission were meeting on the following day. Was it necessary to make a communication to the United States before the sub-commission had seen it?

MR. LLOYD GEORGE said that it would not be an official communication. Mr. Child would simply sound his Government to see whether they were prepared to receive a formal communication which must come from the sub-commission.<sup>17</sup>

<sup>17</sup> For the informal and formal invitations to the United States Government, and for Mr. Hughes's replies, see *F.R.U.S.*, 1922, vol. ii, pp. 804-12. On May 16, the British Delegation, Genoa, telegraphed to Sir A. Geddes as follows: 'We have received American Government's reply to informal enquiry sent from this Conference through American Ambassador in Rome as to whether the United States would be willing to participate in proposed Commission on Russian question. We warmly appreciate terms in which American Government expresses its anxiety to collaborate in proceedings looking to the recovery of Russian people and we greatly desire to meet the American Government in laying down the programme of the proposed Commission. This programme is still under discussion with Russian Delegation and there is still time to propose any modifications which American Government may think necessary. Some elucidation of following points in American Government's reply would be of great assistance in this respect.

'First, American reply indicates that objection is taken in Washington to participation in proposed Commission while attitude disclosed in Russian Memorandum of May 11th [see No. 122, n. 2] remains unchanged. That Memorandum has, on point of fact, been superseded by our proposals of May 15th [see Annex, below], which make an entirely new start in the negotiations.

'Second. Last paragraph of American Government's reply exactly summarises our own view of purpose and programme of proposed Commission. We should therefore be very glad to know informally in what respects our proposals are thought to be lacking in

M. BARRÈRE pointed out also that it would effect a valuable saving of time. MR. LLOYD GEORGE suggested that Sir Cecil Hurst, M. Fromageot, Sir Maurice Hankey, M. Massigli and Dr. Giannini should arrange the final form of the document.

(These gentlemen, therefore, withdrew for this purpose.)

definiteness in order that we may if possible bring them into complete accord with view of American Government.

'The convening Powers are meeting this afternoon to discuss American Government's reply and will probably forward some further enquiries through American Ambassador. I should like you, however, to see Mr. Hughes yourself without delay, and to put the above points to him informally. The matter is urgent as any modification of the terms of reference to the Commission will be impossible to secure when once the Powers gathered here in Genoa have separated. Any light which you can throw upon the conditions of American participation will be very valuable. I much appreciate the helpful spirit of Mr. Hughes's telegram and will do all I can to meet his difficulties if you can tell me what they are.'

Sir A. Geddes replied on May 17: 'I have seen Secretary of State and have discussed fully with him attitude of United States Government with regard to Russia. It is impossible to reproduce verbatim all that he said but following is, I think, accurate presentation of Mr. Hughes's point of view.

'1. United States Government desires to help Russian people and to bring that help to them in fruitful co-operation with the (Allies).

'2. United States Government believe before Genoa Conference was proposed Communism in Russia was dying of inanition. Mr. Hughes pointed out that though there was no discernible focus of opposition to Bolshevik oligarchy its power was lessening and its doctrines were undergoing a transformation. This, in his judgment, was due to internal and external pressure to which Bolshevik Government was subjected. Internal pressure was a passive resistance to tyranny, gradual resurgence of necessary private trade and reaction to economic misery of (? people) and Bolsheviks of lower grades. External pressure was also economic and was exercised through representations of persons with whom Bolsheviks wished to trade. Gradual exhaustion of Russian gold reserve was making this external pressure more and more effective.

'As a result of this Bolsheviks were, according to all information of United States Government, in no condition to create world trouble and were at such a pass that by maintaining the pressure a little longer they would have been ready to agree to anything that did not involve public repudiation of the doctrines of Communism even though it involved complete practical abandonment of Communistic organisation.

'3. At this stage, what United States Government regarded as mistaken, proposal for Conference at Genoa was launched. This, Mr. Hughes thinks, had the effect of playing straight into the hands of Bolshevik oligarchy. In a manner similar to that in which military operations of Kolchak and Denikin worked out, it made the Bolshevik standard bearers of Russian people and rallied to their support a mass of Russian opinion that was coldly or definitely hostile. It also had the effect of placing the Powers in position of refusing Russia a loan and thus once again stirring in many countries the seemingly moribund sympathies of radical elements for the Bolshevik regime and of making them again declare that capitalism was in league to strangle a people's movement. Further, Mr. Hughes says he objected to Genoa on the ground that if it were to be successful it put the Bolsheviks in impossible position of having publicly to recant their most cherished doctrines. Further it (? exaggerated) immediate importance of trade of a starving and stripped Russia to a world seeking commerce rehabilitation. Mr. Hughes, of course, agrees that opening of Russia to trade is ultimately important to all nations; what he denies is its immediate value.

'This exaggeration of immediate importance made Russian demands for loan insistent and made them confident that they would get it and with the money so obtained they hoped

M. JASPAR said that Belgium was not a great Power, but when they came to appointing experts he hoped that Belgium would have the support of her friends in securing her representation on the Negotiating Committee.

to secure new lease of power. It also led them to put forward demands for *de jure* recognition which is characterized by Mr. Hughes as an "impossible demand".

'In short, Mr. Hughes believes that Genoa Conference so far as Russia is concerned, could not serve and has not served any useful purpose. On the contrary it has been positively harmful in so far as it has diminished or has tended to diminish pressures on Soviet Government. It is therefore clearly impossible for United States Government to take any part in any Conference which could even plausibly be represented as a continuance of Conference of Genoa.

'Mr. Hughes lays special stress upon this reply, namely, that it would be claimed as great diplomatic victory for Soviet Government if United States Government were now to change its policy and engage in discussions with Soviet Government. This it will not do except on certain clearly defined conditions:—

- (a) Russia must recognise her debts. In short, Russia will not be listened to by United States Government if she attempts to establish a precedent for repudiation of debt contracted during the war.
- (b) Russia must recognise property rights of foreigners in industries and undertakings established in good faith within her borders.
- (c) United States Government will not listen to Russian proposals with regard to partnership in arrangements between Soviets and foreign concessionnaires, at least in so far as pre-revolution concessions are concerned, unless, of course, original concessionnaires receive adequate compensation for their loss of property rights.
- (d) Russia must recognise that she will not receive any loan from United States Government.

'4. In order to prevent feeling of profound pessimism which would perhaps spread around the world if Conference of Genoa were to be regarded as complete failure Mr. Hughes says that United States Government would be prepared to take part in a purely expert economic investigation into state of Russia if that investigation be so defined that it is plain that its functions are to prepare for information of whole world a report or reports dealing with present state of Russia—agriculture, mining, quarrying, manufacture and transportation by land, river and sea—with a full examination into and report upon causes of present state of these industries. This further examination would take cognizance of legal codes and legal administration.

'United States Government will, however, not even appoint an expert on such a Commission of Enquiry if there be any Russian representative upon it, unless Russian Delegation to Conference of Genoa has first withdrawn Russian Memorandum of May 11th.

'After such a Commission has reported, it may be possible to take up political questions, but certainly not till then. It is to expert Commission of this sort that Mr. Hughes refers in communication he despatched on May 15th as appears to me to be clear from text of communication.

'I think it well to add here that insuperable obstacles to American participation in proposed Conference at the Hague are to be found in Mr. Hughes's view in practically every paragraph of annex to invitation. So long as Mr. Hughes is Secretary of State it is, I assure you, useless to continue hope for American co-operation in any policy with regard to Russia which does not specifically include a recognition by Russia of her debts including her war debts and property rights of individuals.

'Nor is it the slightest use listening to any American Ambassador or globe trotter who suggests anything else. Mr. Hughes has been opposed to whole Genoa policy from the start and most that I hope for is that he will nominate an expert to Commission with functions described above provided either that there is no Russian representative on it, or that Russian Memorandum of May 11th is withdrawn. If that will provide way out of difficult situation, I venture to urge you to press for such an enquiry.

'Mr. Hughes has sent clear instructions to United States Ambassador at Rome which

MR. LLOYD GEORGE cordially agreed.

(The document as finally prepared by the jurists is attached as an appendix to these notes.)

*Hotel Miramare, Genoa, May 14, 1922.*

ANNEX TO No. 132

*Procès-verbal of Meeting held at the Villa d'Albertis, Genoa, on Sunday, May 14, 1922, attended by the Chiefs of the Italian, Belgian, British, French and Japanese Delegations*

The representatives present considered the reply to be made to the Russian memorandum of the 11th May,<sup>18</sup> and agreed to make the following recommendations to the Sub-Committee of the First Commission of the Genoa Conference, meeting without the German and the Russian representatives:—

1. The proposal made by the Russian delegates in their memorandum of the 11th May, 1922, for the meeting of a commission of experts should be will I hope guide him so that he does not mislead you again. Secretary of State has furnished me personally with a copy of portion of these instructions with stipulation that this action is merely to secure precise understanding of his point of view and that it is in no wise to be regarded as constituting a communication from United States Government. In this sense and on this understanding I quote from them as follows:—

“Genoa Conference has been so conducted as to give foremost place to question of recognition of Soviet regime and Soviet representatives have been facilitated in presenting impossible demands, as for example, for a huge loan to Soviet regime for which there is not the slightest prospect. Further, Soviet representatives in their Memorandum of May 11th have set up barriers to political relations which might as well be recognised as such first as last. This Government has no intention of continuing such fruitless discussions or of participating in Conference which merely furnishes a stage for declarations ill-adjusted to objects sought.

“There seemed to be left, however, an opportunity for a real expert investigation of Russian economic conditions relating to agriculture, industry, transportation, etc., by which a common understanding could be reached as to maladies and necessary economic remedies. The situation appears to this Government to be plain but such an enquiry might be helpful by promoting better understanding here and abroad of inescapable economic facts. There would be no objection to German participation or to a Russian expert sitting on such a Committee provided it was understood that Committee was not to take up differences with Russian Government or to deal with Soviet regime itself, but was entirely for the purpose of scientific economic enquiry and for report to Governments concerned so that political question could be considered by such Governments in their proper order and in light of unquestionable economic conditions revealed. It would be a condition, however, of Russian participation in such an economic Committee that Russia should withdraw their Memorandum of May 11th [see No. 122, n. 2] as there is no prospect of doing anything with Russia while position taken in that Memorandum remains unchanged. This might as well be understood now in order to save much waste of time and effort. This position is one of sincere friendliness to Russian people.

“This Government desires to help so far as practicable but sees no advantage in proceedings continuing negotiations which merely lead Russians either to demand or to believe impossible can be accomplished. Best alternative is to clear the air by direct expert enquiry as to fundamental facts.”’

<sup>18</sup> See No. 122, n. 2.



accepted in the form provided in the annex, and the 26th June should be proposed as the date of the meeting.

2. The Powers represented at Genoa, other than Germany and Russia, shall be invited by the president of the Genoa Conference to send representatives to The Hague on the 15th June, 1922, for a preliminary exchange of views to consider the line of action to be adopted by the commission of experts towards the Russians.

The president of the Genoa Conference should be requested to extend a similar invitation to the United States of America if he ascertains that she is willing to attend.

3. The representatives at The Hague will decide how the commission which will be charged with the conduct of the negotiations with the Russian commission is to be composed.

4. The Governments represented at the preliminary exchange of views will, in the light of these discussions, intimate, unless they have already done so, whether or not they are willing to take part in the commission.

Unwillingness to do so on the part of a Government will not prevent the meeting of the commission on behalf of other Governments.

5. If no joint recommendations can be submitted by the commissions of experts within a period of three months from the date mentioned in clause 4 of the annexed document or if the joint recommendations are not accepted by the Governments concerned within one month after the date of the recommendations, each Government will be at liberty to make a separate agreement with the Russian Soviet Government on the matters referred to in clause 3 of the annexed document.

6. The delegations agreed to recommend their respective Governments not to recognise or support any private agreements made by their nationals with the Russian Soviet Government affecting property previously belonging to other foreigners before the conclusion of the work of the expert commissions or during the month following the making of the joint recommendations, if any.

7. The annexed document should be communicated to the Russian delegation.

8. The Belgian and French delegations declared that they would recommend their Governments to adhere to the decisions embodied in the present *procès-verbal*.

#### *Clauses for communication to the Russian Delegation*

1. The Powers mentioned above<sup>19</sup> agree that a commission of experts shall be appointed for the purpose of further consideration of the outstanding differences between the Russian Soviet Government and the other Governments and for the purpose of meeting a Russian commission similarly empowered.

2. The names of the Powers represented in the non-Russian commission,

<sup>19</sup> A note on the original runs: 'i.e., the Powers sending the reply to the Russian Memorandum.'

together with the names of the members of the commission, will be communicated to the Russian Soviet Government, and the names of the members of the Russian commission will be communicated to the other Governments, not later than the 20th June.

3. The matters to be dealt with by these commissions will comprise all outstanding questions relating to debts, private property and credits.

4. The members of the two commissions will be at The Hague on the 26th June, 1922.

5. The commissions will endeavour to arrive at joint recommendations on the matters dealt with in clause 3.

6. In order to enable the work of the commissions to be carried on in tranquillity, and in order to restore mutual confidence, engagements will be entered into binding the Russian Soviet Government, on the one hand, and the other participating Governments, on the other hand, to refrain from all acts of aggression against their respective territories and to refrain from subversive propaganda.

The pact to refrain from acts of aggression will be founded on the observance of the existing *status quo*, and will remain in force either until the outstanding frontier questions in Europe are settled or for a definite period.

The agreement against propaganda will bind all the signatory Governments to abstain from interfering in any way in the internal affairs of other States, from supporting, by financial or other means, political organisations at work in other countries and also to suppress in their territory attempts to foment acts of violence in other States and attempts which might disturb the territorial and political *status quo*.<sup>20</sup>

<sup>20</sup> For the amended draft of clause 6, see No. 138, Annex, below.

### No. 133

P.C.S. II] *Meeting of Members of the Sub-Commission of the First Commission held on May 15, 1922, at 10.30 a.m., in the Palazzo Reale, Genoa.*

PRESENT: *President*: Signor Facta.

*Belgium*: M. Jaspar.

*British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P.

*France*: M. Barthou.

*Italy*: Signor Schanzer.

*Japan*: Baron Hayashi.

*Poland*: M. Skirmunt.

*Roumania*: M. Bratiano.

*Sweden*: M. Unden.

*Switzerland*: M. Motta.

The meeting opened at 11 A.M.

THE PRESIDENT asked Signor Schanzer to explain the state of the negotiations between the delegations of the inviting Powers regarding the reply to be made to the Russian delegation.

SIGNOR SCHANZER said that the inviting Powers had been asked to discuss a certain number of proposals to be submitted to the Russian delegation. After an exchange of views, which had continued during the whole of the previous day,<sup>1</sup> the delegations concerned had agreed on a draft which gave the fullest consideration to the proposals made by the Russian delegation in its reply<sup>2</sup> to the memorandum of the 2nd May,<sup>3</sup> and provided for the nomination of a commission of experts to continue the negotiations begun at Genoa. There appeared to be every reason to hope that the Russian delegation would accept the proposals which were to be submitted to it.

M. BARTHOUS said that Signor Schanzer had indicated very accurately the conditions under which the inviting Powers had been asked to find the basis for an agreement. The results of the conversations which had taken place for this purpose were recorded in the minutes of the two meetings which had been held at the Villa d'Albertis on the 14th May. These minutes were of the most vital importance, and it was for the present meeting to discuss them and express an opinion on their contents. But he wished to point out that since they had been drawn up, a new and extremely important fact had occurred, the Russian delegation had published in the press a letter addressed to the president of the conference. They could not ignore this letter, which was couched in terms which were almost insolent. This letter was an extremely important factor in the situation, and it was necessary to take it into consideration if they wished to consider the problem from every point of view. Further, the speaker wished to state that he considered it quite inadmissible that for the second time the delegations should become acquainted only through the press with a document which had been officially communicated to the president of the conference. He accordingly asked that definite instructions should be given to the general secretariat in order to prevent this recurring. He thought it essential that the letter should be at once communicated to the delegates.

THE PRESIDENT said that the facts of the case, as stated by M. Barthou, were quite correct. He observed, however, that M. Chicherin's letter had been handed in at a very late hour, at 11 P.M. on the preceding day. It had been accordingly impossible to communicate it to the delegations. He fully agreed with M. Barthou that the document ought to be submitted to the meeting.

SIGNOR SCHANZER read the letter of the 14th May addressed by M. Chicherin to the president of the Sub-Commission of the First Commission (Annex I).

Signor Schanzer said that the president of the conference had agreed with him in thinking that the note contained certain allegations which were inaccurate and absolutely without foundation; they had accordingly thought it necessary, in the course of the interview which they had had that morning

<sup>1</sup> See Nos. 131 and 132.

<sup>2</sup> See No. 122, n. 2.

<sup>3</sup> See No. 108, Annex II.

with M. Chicherin, to refute the following erroneous statements contained in that document:—

1. M. Chicherin stated in his letter that, in the committee of experts proposed in the course of the negotiations of the 13th May,<sup>4</sup> of which a report had already appeared in the press, Russia would be represented in a consultative capacity only. It had been proved to him that this statement was inaccurate. What had been proposed was that a Russian commission and a non-Russian commission should be set up, both of which would meet at The Hague on a certain date. Russia was not excluded from the negotiations, but, on the contrary, was asked to take part in them on a footing of complete equality. Further, this was the procedure which had been adopted during the negotiations at Genoa, Russia sitting on one side, and the other nations on the other. They had pointed out to M. Chicherin that it would not be logical to ask the Russians to sit on a commission where they would be confronted by a group of Powers whose interests were similar and diverged considerably from the interests of the Russians. The only means of conducting negotiations under fair and equitable conditions was that each commission, representing in a sense a group of similar interests, should be in direct contact with the other. It was quite certain that if a joint commission were set up the Russians would very probably be in a minority, and the apparent equality which they claimed would thus be entirely to their disadvantage.

2. In reply to M. Chicherin's protest, the pledge which the Powers proposed to give not to conclude, during the negotiations which were to take place, separate treaties with regard to questions forming the subject of such negotiations, a pledge which he considered the limit[ation] of the sovereignty of the Russian Government, Signor Schanzer had pointed that this interpretation was not in accordance with the facts. The limitation was not to be imposed on the Russian Government alone, but also on the Powers which agreed not to sign any certain agreement for a certain period on the questions submitted to the Commission of Experts. If it really was a limitation of sovereignty it would be mutual, and would be as binding on the Governments of the Western Powers as upon the Soviet Government. Further, the undertaking was not a public undertaking; it was an undertaking between certain Powers, and it was not intended to be communicated officially to the Russian Government. Finally, M. Chicherin's protest was all the more unjustified as, when he came to Genoa, he agreed implicitly to deal with the countries collectively and to refrain from independent negotiation. If he persisted in his statement M. Chicherin would be acting in contradiction with his original attitude.

3. The protest made by the Russian delegation against the fact that it was not given an opportunity of expressing its opinion on the proposals under consideration was equally without foundation. Signor Schanzer had pointed out to M. Chicherin that the procedure followed in discussing these proposals was the same as had been adopted since the beginning of the conference.

<sup>4</sup> See Nos. 128 and 130.

The Western Powers which had had to negotiate with the Soviet Government had always met to arrive at an agreement amongst themselves in the first place; without such an agreement it would have been impossible to begin any discussion with the Russian delegation. This method was necessary in order to find a common basis for discussion. Signor Schanzer had told M. Chicherin that this procedure was quite in conformity with the standing orders of the Conference; it was impossible to contemplate any change in the standing orders in force.

4. Finally, Signor Schanzer had informed M. Chicherin that his request that a plenary meeting of the commission should be held was not in conformity with the standing orders. It rested with the sub-commission to draw up the recommendations to be submitted to the plenary commission; when the time came the plenary commission would meet in order to ratify the recommendations submitted by the sub-commission.

The above was the substance of the reply made by Signor Schanzer to M. Chicherin. Signor Schanzer had considered himself authorised to make this reply, because he thought it was in conformity with the views of all the Powers concerned. He ventured to hope that the delegates would approve his action. In conclusion, the speaker said he thought it would be desirable to proceed to discuss the proposals drawn up by common agreement by the inviting Powers; then they might invite the Russian delegation to the sub-commission in order to give it an opportunity of explaining its views on the proposals.

M. BARTHOU said that he realised the impatience of the delegates to begin the discussion of the question for which the meeting had been called. But before proceeding to discuss the proposals drawn up in the course of the conversations at the Villa d'Albertis, he wished to make a statement on behalf of the French delegation. M. Chicherin referred in his letter to certain Powers whose action at the Genoa Conference had always tended to destroy the hope and possibility of an agreement between the Powers and Russia. It was impossible not to recognise that this accusation was aimed particularly at France. The speaker wished to state emphatically that the imputation was absolutely unjustified. During the conference, and particularly during the past few days, the French delegation had shown the greatest possible spirit of conciliation. It had made every effort at the meetings of the sub-commission, in private conversations with Mr. Lloyd George and Signor Schanzer and at the meetings at the Villa d'Albertis in order that an agreement between the inviting Powers might be realised in the general interest. M. Chicherin's statement was accordingly yet another erroneous assertion to be added to those which Signor Schanzer had mentioned in his statement giving the substance of his reply to M. Chicherin.

THE PRESIDENT assured M. Barthou that his observations would be recorded in the minutes of the meeting. He had pleasure in stating that all the delegations were unanimous in recognising the loyalty and spirit of conciliation manifested by the French delegation throughout the work of the conference, and particularly during the delicate negotiations of the last few days.

M. JASPAR said that he thought he was not mistaken in thinking that the imputation mentioned by M. Barthou was directed against Belgium also. He observed in this connection that his efforts had been directed always to the same ends as those of the French delegation, and he was convinced that the eulogistic words of the president were addressed to his country also.

THE PRESIDENT at once assured M. Jaspar that this was the case.

The minutes of the conversations which had taken place at the Villa d'Albertis on the 14th May, 1922, were then read. (Annex II.)<sup>5</sup>

THE PRESIDENT said that the discussion of the text of the proposals contained in that document was now open.

M. SKIRMUNT wished to ask for an explanation and submit a proposal regarding article 6 of the annex<sup>6</sup> to the minutes. The article in question provided for the signature of agreements between the Russian Soviet Government on the one hand and the other Governments on the other. M. Skirmunt wished to know whether these agreements would be signed at The Hague or at Genoa.

SIGNOR SCHANZER replied that they would be concluded and signed at Genoa.

M. SKIRMUNT submitted his proposal regarding paragraph 2 of article 6; he interpreted this paragraph as relating to unsettled territorial questions between Russia on the one hand and the other States on the other, to the exclusion of all other territorial disputes. In order to avoid any misunderstanding or ambiguity on this point, M. Skirmunt wished for a more precise text; it would be sufficient to add 'between Russia and other States' after the words 'the undertaking to abstain from all acts of aggression will be based upon the observation of the present *status quo* and will remain in force until the questions undecided. . . .'

M. Skirmunt added in support of his proposal that the text of the article as it read at present might give Russia the right to intervene in territorial discussions which did not in any way concern her, and that should be avoided at all costs.

MR. LLOYD GEORGE did not quite understand the point of M. Skirmunt's proposal. The undertaking which was proposed laid down that there should be no acts of aggression by Russia or by the other States whilst the commissions were at work. He did not see the point of M. Skirmunt's observations unless it was to interfere with the prerogatives of the League of Nations which had cognisance of certain frontier disputes with which Poland was concerned. Such interference was inadmissible. What they wished to obtain from the Soviet Government was a complete guarantee as to interference and acts of aggression against other States. No further words were needed to protect Poland against Russia, and there was no doubt that the text in its actual form provided Poland and all other States with the certainty that Russia could not interfere in any frontier questions affecting them. For this reason Mr. Lloyd George did not think that they could accept M. Skirmunt's proposal which would interfere with the actions of the League of Nations.

<sup>5</sup> Not printed (see No. 132, Annex).

<sup>6</sup> i.e. clause 6 of the document for communication to the Russian delegation.

M. SKIRMUNT said that he had not the smallest intention of interfering with the action of the League of Nations. He only wished to make certain that the obligations undertaken by the Soviet Government were fully carried out. In any case he thought that it should be clearly understood that the frontiers which had been fixed by definite agreements with Russia should be regarded as definitively established and should not be in any way affected by the agreements which it seemed were to be concluded. He observed that they should not allow the opinion to be diffused that none of the western frontiers of Russia were as yet definitely fixed. The Russo-Polish frontier had been definitively fixed over a distance of more than 1,000 kilom. by the Treaty of Riga;<sup>7</sup> it could not be regarded as undecided. The Soviet Government must be prevented from finding an excuse for contesting that frontier in the agreements which were proposed. The amendment which he had proposed seemed to him to define exactly the sense and scope of the agreements which it appeared were to be concluded.

SIGNOR SCHANZER wished to reassure M. Skirmunt on this point. It was understood that the agreements which were to be concluded would only relate to frontiers which were not yet definitely fixed. The Soviet Government had by the Treaty of Riga fixed the frontier between its territory and that of Poland. The agreement to be concluded could not have for its object to contest a frontier which has been fixed by a peace treaty. Signor Schanzer, however, would take note of M. Skirmunt's observations which would be included in the minutes.

M. BARTHOU thought that M. Skirmunt could be fully satisfied with the observations made by Mr. Lloyd George and Signor Schanzer, which exactly defined the meaning and scope of the pact of non-aggression.

M. BRATIANO thought that the meaning of clause 3 should be more clearly defined. It laid down that the commissions would deal with 'all existing questions concerning debts, private property and credits'. M. Bratiano concluded that this comprised the deposits which Roumania had entrusted to Russia.<sup>8</sup> As no allusion was actually made to these deposits which might be considered as coming under both the question of debts and that of private property, he asked that the words 'and deposits' should be added after 'debts'. If, however, the delegates thought that the deposits were clearly included in the text in its actual form, he would not insist upon this point, on condition that it should be clearly shown in the minutes that his interpretation corresponded with the intention of the drafters.

After a short interchange of views, M. Bratiano stated that he would be satisfied if his declaration was inserted in the minutes.

M. MOTTA said that he was glad to note that agreement had been reached between the Powers, and he did not wish to do anything to disturb it. However, he thought it necessary to point out that the scope of article 6 was not clearly enough defined. There was no reference to Germany in that article. What was the intention of the inviting Powers in that respect?

<sup>7</sup> See No. 82, n. 9.

<sup>8</sup> See No. 47, n. 3.

Was Germany to be a party to the pacts which were to be concluded or not? He would be glad to know exactly how these measures were to be interpreted.

M. BARTHOU said he wished to observe that Germany had been excluded from the negotiations with Russia. She had not been admitted to the discussion of the memorandum which had been sent to the Russian delegation on the 2nd May; she could not be admitted to the discussion of the proposals which were to be communicated shortly to the Soviet delegation. Accordingly Germany would not be a party to the pacts of non-aggression which were to be concluded. However, there would be no need to fear that Germany would consequently be able to consider herself as not bound by any pact of non-aggression. Under article 10 of the Treaty of Versailles she was in fact bound, even more definitely perhaps than by the pacts contemplated, to refrain from any act of hostility and to respect territories assigned to other States. He thought there would be very great danger in asking Germany to adhere now to a pact of non-aggression, for in so doing they would appear to throw doubts upon the binding force of the Treaty of Versailles. Accordingly M. Motta, whose apprehensions were quite legitimate, could be quite easy in mind concerning the consequence of the pacts which were to be concluded.

M. MOTTA said he much appreciated the clear and definite way in which M. Barthou had replied to his question. He recalled that at a previous sitting he had defined exactly the legal and political attitude of neutrals with regard to existing treaties.<sup>9</sup> He would say no more on that point. He would merely point out that the pacts contemplated should be looked upon as corollaries to the solution which they were endeavouring to find for the Russian question. It was obvious that, since Germany had been excluded from the discussion of the Russian problem, she could not be a party to this pact, which was an integral part of the solution of the Russian problem. On this condition M. Motta could accept the conclusion of these pacts on behalf of his country.

M. JASPAR observed that the situation that would arise as a consequence of the pacts provided for in article 6 would be very simple—on one hand there would be the Soviet Government, and on the other hand the other States. It was between these two groups of States considered collectively that every act of aggression was to be avoided. There could be no question of interpreting these pacts otherwise than as affecting merely the mutual relations between Russia and the other States. It did not appear to him that under these conditions the adhesion to such pacts could affect the attitude adopted by neutral Governments.

SIGNOR SCHANZER said he wished to throw light on one last point: it must be clearly understood that the mandate given to the commissions which were to meet at The Hague should include the discussion of responsibilities incurred for losses due to the civil wars in Russia, or to any other act of that kind; in short, the term 'debts' must be interpreted as including all obli-

<sup>9</sup> Cf. No. 130.



gations binding on Russia, both obligations arising from agreements, and obligations not arising from agreements.

As no other observations were made, THE PRESIDENT said that the delegates were agreed concerning the proposals to be submitted to the Russian delegation, and he accordingly declared these proposals adopted. He announced that the Sub-Commission of the First Commission would meet on the following day at 10.30 A.M., in order to submit the proposals in question to the Russian delegation.

M. BARTHOU said he had a declaration to make. The French delegation would not be present at the meeting that the President had just announced. This attitude was quite logical: the French delegation had not signed the memorandum of the 2nd May, and could not participate in the reply to be made to M. Chicherin's reply to the memorandum which had been communicated to him. However, the French delegation formally declared that it made itself responsible for paragraph 8 of the minutes of the meeting of the 14th May,<sup>5</sup> and that accordingly it pledged itself, if necessary, to recommend its Government to adhere to the proposals attached to that document. Either the Russians would merely refuse the proposals which were to be submitted to them, and then the whole conference would look upon those proposals as null and void; or, the Russian delegation would accept these proposals, and then the French delegation, he repeated, would at once recommend its Government to adopt the proposals with which it fully concurred.

M. JASPAR said that the attitude of the Belgian delegation would be the same as that of the French delegation.

The meeting adjourned at 12.25 P.M.

#### ANNEX I TO No. 133

*M. Chicherin to Signor Schanzer.*

*May 14, 1922*

To-day's newspapers publish semi-official communications and statements relating to the conversations which took place yesterday between certain Powers represented on the political sub-commission in regard to the proposal made by the Russian delegation in its reply of the 11th May for the creation of a mixed commission to which the further consideration of the financial problems would be confined.

According to these statements, the Powers referred to are proposing to adopt the following decisions:—

1. To exclude the representatives of Russia from the commission, and to give them merely a right to be called in consultation when it shall seem fit to the rest of the commission.
2. To require the States participating in the Genoa Conference to undertake not to conclude separate agreements with Russia so long as the commission continues its labours.

Deprived as it is of all opportunity of receiving official information in regard to the proceedings of the sub-commission, and particularly in regard to the decisions above referred to, and in view of the gravity of the latter, the Russian delegation feels compelled to emphasise the absolutely unacceptable character of these decisions for Russia.

In the first place the Russian delegation has to express its surprise that it has not been invited to explain its views on a proposal made by it in its reply<sup>10</sup> to the memorandum of the 2nd May.<sup>11</sup>

As regards the substance of the decisions which it is proposed to adopt, the Russian delegation is bound to observe that these decisions, instead of facilitating agreement between the Powers and Russia, would only result in rendering nugatory the rapprochement between the Powers and Russia which has been brought about by the Genoa Conference, and in re-establishing the old methods of procedure for the solution of the Russian problem, which have already shown themselves not only sterile but harmful.

The exclusion of Russia from the labours of the commission would deprive these of any objective character, and of all moral authority, not only in the eyes of the Russian people, but also in the eyes of all impartial public opinion.

The second decision requiring the Powers to undertake not to conclude agreements with Russia so long as the labours of the commission continue, even if this prohibition relates only to political agreements, is merely a new disguised blockade directed against the interests of the Russian people, which could only see in such a decision a new act of hostility against its political existence and its vital interests.

Moreover, such a decision would be in flagrant contradiction to another proposal which is also referred to in the same semi-official communications, requiring the Powers participating in the conference to undertake to renounce all acts of hostility one against another, inasmuch as the decision in question would mean the renewal of the policy of hostility to Russia which was abandoned two years before the Genoa Conference.

The Russian delegation observes once more with regret that every time an agreement is on the point of being concluded between Russia and the other Powers, certain of these latter, placing their interests above the interests of Europe and of peace, seek to render nugatory the common efforts, and to bring back the relations between Russia and the other Powers to the position in which they were before the Genoa Conference.

Imbued as it is with a sentiment of esteem for the Genoa Conference, and with the desire to prevent the fresh delays to the work of the conference which would be occasioned by the prolongation of one-sided negotiations which could not possibly produce any result, the Russian delegation considers it its duty to ask that the Political Commission be immediately convened in order to enable the Russian delegation to explain and elaborate there its proposal for the creation of a mixed commission.

The convening of the commission will make it possible for all the Powers to adopt a definite attitude towards the Russian proposal.

<sup>10</sup> See No. 122, n. 2.

<sup>11</sup> See No. 108, Annex II.

P.C.S. 12] *Third Meeting of the Sub-Commission of the First Commission held on May 16, 1922, at 10.30 a.m.*

PRESENT: *President*: Signor Facta.

*British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P.

*Italy*: Signor Schanzer.

*Japan*: Baron Hayashi and Viscount Ishii.

*Poland*: M. Skirmunt.

*Roumania*: M. Bratiano.

*Russia*: M. Chicherin.

*Sweden*: M. Unden.

*Switzerland*: M. Motta.

The meeting opened at 10.40 A.M.

THE PRESIDENT asked M. Chicherin whether he was prepared to begin the discussion of the proposals set forth in the document which had been submitted to him immediately, or whether he would prefer that the document was read.

M. CHICHERIN stated that he had just at that moment received a copy of the document containing the proposals made to Russia, but he did not know if the text corresponded exactly to that which had been published in the press, and of which he had previously been informed. He thought that it would be best to read the proposals before discussing the document, in order to allow the Russian delegation to obtain a general idea of their scope.

The proposals submitted to the Russian delegation were read (see Annex).<sup>1</sup>

SIGNOR SCHANZER thought that the meaning of the proposals was sufficiently clear to make any lengthy discussion unnecessary. The authors of the proposals had doubtless, he added, considered the necessity of shortening the discussions of the conference as far as possible. The Russian question with which the conference had to deal was, of course, an extremely wide and important problem. The time at the disposal of the conference was, however, very limited, as the statesmen present could not unduly prolong their stay at Genoa. This necessity had sensibly affected the discussions of the conference from the start, and had made a final solution of the problem under discussion impossible. In any case, the work of the conference had been of very considerable importance; the discussions had made appreciable progress, and had pointed the way to the solution of the question. The discussion must not now be abandoned. It must at all costs be pursued. That was the meaning of the proposals made to the Russian delegation; the commissions of experts were to continue and complete the discussions commenced at Genoa. Signor Schanzer then explained that—

1. Article 3 laid down the composition of the commissions and the procedure which they would adopt: it laid down that the negotiations

<sup>1</sup> Not printed (see No. 132, Annex).

would be carried out between the Russians on the one hand and the other Powers on the other. For this reason, two commissions were to be set up, so as to allow both groups to work on a footing of complete equality.

2. Article 5 set forth the aim of these commissions: they were to endeavour to come to an agreement upon joint recommendations which would be submitted to the various Governments.
3. Article 4 laid down the place and date of meeting: it indicated the wish of the Powers to continue the work begun at Genoa as soon as possible.
4. Article 6 was drawn up with the object of guaranteeing peace by means of a provisional pact and in the hope that this guarantee would be permanent.

M. CHICHERIN wished first of all to settle the question of procedure. The Russian delegation was compelled to put a certain number of questions to the delegations which had drawn up the text submitted, in order to obtain certain explanations which were essential to the clear understanding of the text.

THE PRESIDENT stated that the commission was ready to reply to M. Chicherin's questions.

M. CHICHERIN asked, with regard to article 1, whether Germany was to be included in the commission. The obvious interpretation of this article, he added, seemed to show that Germany, which had not assisted in the compilation of the memorandum of the 2nd May,<sup>2</sup> was to be excluded from the negotiations which would ensue. If this were the case, M. Chicherin wished to know for what reason Germany had been excluded.

MR. LLOYD GEORGE said that it was rather a belated question which M. Chicherin had raised. Three or four weeks earlier the Powers had decided to exclude Germany from all negotiations concerning Russian affairs.<sup>3</sup> The Germans had chosen to enter into a separate agreement of their own with Russia<sup>4</sup> on a good many of the matters which were covered by the terms of reference to the Commission of Experts. Under these conditions, it was felt that it was not fair that they should be invited to take part in discussions upon questions which they themselves had already agreed upon. Accordingly, the provisions contained in the article were merely the application of a decision which had been already taken.

M. CHICHERIN asked if Mr. Lloyd George proposed that Germany should be excluded from the future conference contemplated in the document which had been submitted to him, or if she would be excluded only from the commission of experts.

SIGNOR SCHANZER said that he had nothing to add to the explanations given by Mr. Lloyd George. However, he thought it was necessary to have a point which was still rather obscure made quite clear. It was not a question of a new conference, but merely of continuing work interrupted for reasons of a purely material character. The proposed commissions of experts would be in a sense the natural continuation of the Genoa Conference. He himself

<sup>2</sup> See No. 108, Annex II.

<sup>3</sup> See No. 76, Appendix II.

<sup>4</sup> See No. 75, n. 1.

felt that the reason given by Mr. Lloyd George for the exclusion of Germany was decisive. It was only logical that Germany, having concluded a treaty which regulated all her interests with Russia, should not take part in discussions in which she had no reason to participate. The negotiations at The Hague would in fact deal only with questions already covered by the Treaty of Rapallo. Thus it was not in any way a slight on Germany that she had not been invited to take part in the forthcoming negotiations. It was in virtue of a decision which had been taken previously, a decision which was very logical, since the negotiations at The Hague were not to be considered as a new conference, but merely a continuation of the work begun at Genoa.

M. CHICHERIN said that one of the questions which the commissions of experts were to examine was the question of credits. That was a point not covered by the Treaty of Rapallo. How could Germany be reasonably excluded from the commissions which were to discuss a point which had nothing to do with the subjects covered by the agreement already concluded by Germany and Russia? Further, why should Germany alone be excluded from the forthcoming negotiations, since Poland had signed a treaty with Russia<sup>5</sup> of a much more comprehensive character than the Treaty of Rapallo and other countries had done the same?

SIGNOR SCHANZER said he would leave it to M. Skirmunt to reply to the question raised with regard to Poland. Further, in his opinion, the question of credits was so intimately connected with that of debts and private property that it had seemed to the Powers impossible to admit countries to the negotiations merely to discuss the question of credits and not other questions. He made this reply on behalf of the sub-commission.

M. SKIRMUNT said that the conclusion of the Treaty of Riga was known to everyone and that everyone was quite aware of it when the conference began; Poland had, however, been admitted to the sub-commission. For his part, during the discussion of Russian affairs, he had not failed to inform them of the relations existing between Poland and Russia. During the discussions, he had also adopted an attitude of the greatest possible reserve. It was not for him to say whether he had shown a spirit of conciliation in this connection or not, and he left it to the president to judge his attitude.

M. CHICHERIN said he would not discuss that point; he would merely put one question. He did not wish Poland to be excluded, but merely to find out the reason for the decisions taken without the collaboration of the Russian delegation. With regard to article 1, he would also like to ask whether the words 'divergencies existing between the Soviet Governments and the other Governments' related merely to divergencies concerning the questions in article 3 or to all other possible divergencies.

SIGNOR SCHANZER said that article 3 was the supplement to article 1. It was clear that it was merely a question of a divergence concerning the questions referred to the commissions. With regard to article 2, M. CHICHERIN asked who would designate the Powers to be represented on the Commission of Experts, and who would communicate their names to the

<sup>5</sup> i.e. the Treaty of Riga (see No. 82, n. 9).

Russian Government. To whom would the Russian Government communicate the names of its delegates?

MR. LLOYD GEORGE said that it had not been definitely decided, but he thought it would probably be the secretary of the commission who would communicate the names to the Russian Government, and the Russian Government would send in the names of its delegates to the same person.

M. CHICHERIN asked how the experts who were to sit on the commission would be nominated, and who was to appoint the secretary.

MR. LLOYD GEORGE said that there was really nothing very mysterious about it. They must not approach the discussion of the proposals in a spirit of distrust. The Powers would simply meet together to choose their representatives, for it would not be very businesslike to set up a commission of experts consisting of delegates of every one of the twenty-three or twenty-four Powers concerned. No doubt the eight great republics represented by M. Chicherin would meet for the same purpose. The organisation of the commissions would be decided upon during the conversations which would take place at The Hague a few days before the conference began. He himself thought that the smaller the commissions the more useful would be the work they would accomplish.

M. CHICHERIN said that with regard to article 3, he thought it would be more exact to replace the word 'debts' by the word 'claims'. That was the word used, for example, in the treaty signed between Russia and Great Britain.<sup>6</sup> He accordingly asked that the word 'debts' should be replaced by the word 'claims', for it corresponded much more closely to the facts.

MR. LLOYD GEORGE said that they could have 'debts' and 'claims' (in French 'dettes et réclamations').

M. MOTTA said that he did not think that it was necessary to insert the word 'claims,' as suggested by M. Chicherin, since the word 'debts' was very comprehensive and obviously included what M. Chicherin meant. He thought they could hardly change an expression which had been constantly used in the exchange of views between the delegations.

SIGNOR SCHANZER was also of opinion that there was no need to alter the text. All they could do was to have explanations giving the interpretation to be placed on the word used inserted in the minutes.

M. CHICHERIN said that he would return to the point when proposing amendments to the text submitted. He pointed out the situation was not the same as at Versailles. It was not a question of imposing upon the Russian delegation a text in the drafting of which it had not collaborated; the Russian delegation was discussing a certain number of proposals with other delegations. He pointed out that the text submitted did not mention *de jure* recognition, and he asked whether the omission was intentional.

MR. LLOYD GEORGE said that the question of *de jure* recognition depended on what happened as the result of the negotiations in progress. It had been made quite clear in the Cannes resolutions<sup>7</sup> that *de jure* recognition depended on the carrying out of those resolutions. The object of the investigation

<sup>6</sup> See No. 31, n. 1.

<sup>7</sup> See No. 6, Appendix.

entrusted to the commissions was to determine the conditions of application of those resolutions. Until the investigation had been completed and the recommendations adopted by the Russian Government, the conditions under which *de jure* recognition could be accorded would not have arisen.

M. CHICHERIN observed with regard to article 4 that the very fact that the Powers discussed together without the Russian delegation proved that the economic system in force in their countries was in contradiction with the Russian economic system. The object of the discussions between the Powers was to determine the principles which formed the basis of their economic system and on which they could admit no discussion. Was the decision regarding the place where the conference was to be held to be considered as one of those questions of principle on which no discussion could be admitted? If the Powers did not consider the choice of the place where the conference was to meet as a question of principle, he felt bound to inform them that the Russian delegation was opposed to the choice of The Hague. The Soviet Government was not represented in the Netherlands and had no friendly relations with the Government of that country. The work of the Genoa Conference had been very much facilitated by the relations existing between Russia and the Italian Government. The Genoa Conference had shown how desirable it was that negotiations should be conducted in a friendly atmosphere. When the Russian delegation submitted its amendments to the proposals before them, it would suggest that the commissions of experts should meet in a country with which Russia had diplomatic relations. For the moment he would merely ask if and why the choice of the place where the conference was to meet was among the questions of principle on which the creditor States considered that no discussion could be admitted.

MR. LLOYD GEORGE said that it had not yet been decided where the commissions were to meet; it was purely a proposal put forward for consideration. The Hague was the place that seemed to suit the majority of the non-Russian members of the commission.

M. CHICHERIN went on to discuss clause 5. He asked whether the decisions of the non-Russian commission would be unanimous or taken by a majority vote. Would the minority have to give way before the decisions of the majority, and would those decisions be put into operation in spite of the opposition of certain Powers?

MR. LLOYD GEORGE observed that that was not a practical difficulty, because, after all, the commission would only make recommendations to the Governments, and in the last resort it was the Governments who would decide.

SIGNOR SCHANZER, on behalf of the Italian delegation, pointed out that the intention of the authors of the proposals under consideration was to leave every Government free to act as it thought fit. Every Government could take whatever decision it chose, and no Government could be considered as bound by the votes of the majority.

M. CHICHERIN observed, with regard to clause 6, that the text was in some places somewhat obscure. It was stipulated in paragraph 1 that abstention

from any act of aggression was to continue during the whole of the duration of the work of the commission. Paragraph 2 of the same article provided that this abstention should remain in force until questions still outstanding concerning certain frontiers in Europe had been decided. There appeared to be a contradiction between these two provisions; paragraph 1 fixed a definite period, while paragraph 2 appeared to provide for an indefinite period. If they were to abide by the provisions of paragraph 2, it would be necessary to specify who would decide the duration of the undertaking.

MR. LLOYD GEORGE replied that it was to avoid the ambiguity pointed out by M. Chicherin that they had suggested the insertion of the words 'or for a definite period' at the end of the second paragraph. The Powers felt that they could decide the period amongst themselves.

M. CHICHERIN said that article 6 referred to 'the Russian Soviet Government'. The British Premier had recognised explicitly that the Soviet delegation represented several republics, and not merely the Moscow Soviet Republic. The Russian delegation considered that this interpretation was therefore recognised as correct and was accepted by the Powers. Accordingly, the pact of non-aggression applied not merely to the Moscow Soviet Republic, but to all the republics represented by the Russian delegation. An act of hostility against any one of these States would be considered as an act of hostility against Russia and against the republics who were her allies. Further, he would like to point out that article 6 referred merely to engagements. Were special arrangements to be concluded and signed at Genoa or elsewhere, or was the adoption of the text proposed to be considered as creating such engagements?

SIGNOR SCHANZER explained, in reply to the second question put by M. Chicherin, that the future tense was used in the text because the document was a kind of *procès-verbal* of the meeting, which had to be submitted to the commission. It would be quite sufficient if the present tense were used in the final text. The acceptance and signature of this *procès-verbal* would imply the conclusion of the pact of non-aggression.

VISCOUNT ISHII said that there was one point raised by M. Chicherin which he did not quite understand. He had referred to the countries represented at the conference. He himself wished to state, on behalf of the Japanese delegation, and in order to make everything quite clear, that the Genoa Conference was a meeting of the Powers who had been invited to send delegates, and that no other Government could send representatives. This was the firm conviction of the Japanese delegation. A special commission on credentials was meeting<sup>8</sup> and would come to a decision on this subject, but, as far as the Japanese delegation understood, only Governments which had been invited had the right to be represented and heard at the conference.

M. CHICHERIN said that the statement just made by Viscount Ishii was in contradiction with what Mr. Lloyd George had said previously. From the statement just made by Viscount Ishii, was he to understand that Japan

<sup>8</sup> See No. 67, n. 10.



reserved the right to attack the Republic of the Far East, and that Japan admitted the right of that republic to attack her? He pointed out that the Ukraine was in a similar situation, for in that case she would be attacked by her neighbours, as the pact would not cover such an attack. The Russian delegation felt bound to state that it could not accept a pact of non-aggression unless it applied to all the States represented by M. Chicherin at the conference. This was the only interpretation which the Russian delegation could accept. Otherwise the proposed engagement was without meaning or value. In conclusion, he declared that any attack on one of the allied republics would be considered as the opening of hostilities against the whole of these republics, and would automatically lead to their collective intervention.

M. BRATIANO referred to the allusion made by M. Chicherin in his declaration to the Ukraine. As the frontier between Poland and Russia had been definitively established by the Treaty of Riga, M. Chicherin's observations could apparently only refer to Roumania. In this connection, M. Bratiano wished to state that there could be no doubt as to the intentions of his country; the latter had not the slightest desire to attack the Ukraine.

VISCOUNT ISHII stated that, as the delegate of the Soviet Government had raised the question of the presence of Japanese troops in Siberia, he thought it his duty to make clear the position of the Japanese Government in that question.<sup>9</sup> It was true that Japanese troops were still present in a small corner of Far Eastern Siberia, belonging, according to the statement of M. Chicherin, to the Government of the Far Eastern Republic, the ally of the Moscow Government. The so-called Far Eastern Republic was not invited to the conference of Genoa, and consequently that Government could not have a voice in the work of that conference, nor could it entrust to anyone else the mandate of raising for it any question, because it had itself no power to raise such questions. The Japanese delegation was therefore convinced that the question raised by the Soviet delegation was not only ill-timed, but was not admissible to be introduced into the discussions of that commission. The Japanese delegation hastened to add, however, that it by no means desired to avoid any opening of the matter in question. On the contrary, so far as the Japanese delegation was concerned, it rather welcomed the opportunity to explain the true situation of the case. Without entering into details, he had no hesitation in saying that the Japanese Government were anxious to withdraw their troops from the maritime provinces as soon as they could honourably do so. But could the withdrawal take place at once, without any previous arrangement being reached with the responsible Government in Siberia? As some of those present might know, crimes of the most abominable character were committed at Nikolaievsk in 1920 against Japan and the Japanese. The consul, with his wife and children, as well as all the other Japanese residents, were massacred. There was not a single survivor. In addition to all the Japanese buildings, the consulate, with the national flag of Japan and the portrait of the Emperor, both symbols of the

<sup>9</sup> See No. 89, n. 9.

love and devotion of the Japanese people, were burnt down. History had seldom furnished a parallel instance of such naked brutality. As for Japan, this constituted a question of national honour. Under the circumstances, how could any responsible Government with any sense of its dignity take the hasty step of withdrawing its troops without any adequate arrangements, not only for the adjustment of the wrongs done, but also against the repetition of a similar outrage? As soon as such an arrangement had been arrived at, the Japanese Government, as they had repeatedly declared, and as the Japanese delegation was quite prepared to repeat there, would only be too glad to effect a withdrawal of the troops from the Maritime Provinces, and thus put an end to an onerous and thankless task in Siberia. To sum up, the Japanese delegation, while observing that the question presented by the Soviet delegation could not properly form the subject of discussion in that commission, was ready to extend a helping hand with regard to any proposal emanating from any responsible Government established in Siberia, with a view to effecting the withdrawal of the Japanese troops then present in Eastern Siberia, not only for the mutual satisfaction of Japan and Russia, but also for that of the whole world. Viscount Ishii concluded his speech by assuring the Russian delegation that there would be no attack on the part of the Japanese troops then compelled to stay in Siberia unless the other side first attacked them.

M. CHICHERIN said that he had no intention to discuss the statements of Viscount Ishii, but he thought it necessary to establish the truth on the subject to which they referred, and he could not leave unanswered the grave accusation made by the Japanese delegation against the Russian Government and its army. He therefore declared that, in the town of Nikolaievsk, the Japanese troops, in breach of an armistice, delivered a treacherous attack during the night on the Russian troops. If (he added) in the course of the engagement commenced by the Japanese troops against the army and the population of Nikolaievsk a number of persons were killed, that was not the fault of Russia. This event, moreover, was used by the Japanese Government as a pretext for demanding the annexation of the northern part of Sakhalin. In the course of the negotiations at Dairen, the Japanese Government had claimed that compensation for the events of Nikolaievsk from the Far Eastern Republic, which M. Chicherin represented. Neither the Far Eastern Republic nor Russia would ever agree to the territorial sacrifice demanded by Japan. In the course of these negotiations, moreover, Japan had laid down as a condition for the evacuation of Vladivostok the destruction of all the fortifications of that town and an engagement to put an end entirely to its military character.

THE PRESIDENT observed that this discussion was entirely foreign to the agenda. He had allowed both parties to speak impartially, but he thought it desirable to put an end to the debate, which had become very warm, and was in danger of increasing the difficulties of the discussion in progress. He asked the two delegations concerned to proceed with the subject of the agenda.

M. CHICHERIN expressed his surprise that Japan should be allowed to express her view of the matter while the same right was apparently to be refused to him. To reply as briefly as possible to the accusations and statements of Viscount Ishii, he wished to declare that the Far Eastern Republic would not allow Japan to convert it into a Japanese colony. To return to the subject of the discussion in which they were engaged, he thought it necessary to remark that the pact of non-aggression was only possible if it extended to the Far East, and if Japan also undertook not to give any kind of support to the White Guards in their attacks on the Far Eastern Republic. To sum up, M. Chicherin gathered from Viscount Ishii's statements that the pact of non-aggression could not be considered as applicable to the Far East. The Republic of Chita would bear in mind the statements of the Japanese representative. In any case, it should be clearly understood that the Russian republics must be considered as forming a single whole. An attack on any of them concerned them all, and the pact of non-aggression could not be effective unless it took account of this situation.

VISCOUNT ISHII stated that he was not going to continue the discussion, but wanted to correct just one point of fact. M. Chicherin had just stated that Japan had demanded the annexation of Northern Siberia. The Japanese delegation would be doing their country a great injury if they passed over that statement without remark. It was absolutely untrue, and there was no foundation at all for it.

M. CHICHERIN declared that he stood by what he had said. He further asked what form the agreement embodying the proposals then under consideration would take. Would a protocol be signed setting out the agreement, or would it simply be put to the vote and oral adhesion to it be considered sufficient? Or, finally, would it be transformed into a diplomatic instrument?

SIGNOR SCHANZER replied that no final opinion had been arrived at on the question raised by M. Chicherin. The view of the Italian delegation was that a simple resolution would not be sufficient, but that a document of the nature of a final act or of a protocol should be signed.

M. CHICHERIN said that he took note of the explanations which had been given, and that the Russian delegation would shortly make known its attitude in regard to the proposals which had just been submitted to it. In this connection, he observed that it was not the Russian delegation which had inaugurated the system of discussion actually employed. This system was entirely abnormal, consisting as it did in preparing proposals in the absence of the Russian delegation and then submitting them to that delegation for acceptance. The Russian delegation protested against that method, but was obliged to submit to it as an accomplished fact. The Russian delegation would need to consider the proposal which had been submitted to it carefully in order to form an opinion in regard to it. This was quite a legitimate claim. He asked that the discussion should be adjourned until the next day in order that the Russian delegation might decide on the attitude to be adopted, consider the proposals submitted in detail and the

amendments which it might wish to make to them, and prepare any statements which it had to make on the subject.

M. MOTTA understood the view expressed by the Russian delegation. He thought it just to allow M. Chicherin time to consider carefully the text submitted to him, and to communicate his opinion and his amendments to the commission. Undoubtedly the proposals had not been officially submitted to the Russian delegation before the present meeting. In point of fact, that delegation was acquainted with them beforehand, although a distinction must be made between semi-official and official knowledge of a document of this character. If, however, it was just that the Russian delegation should ask for time, M. Motta desired to observe that certain States other than Russia, which had not taken part in the discussion of certain texts prepared by the Powers, had had to adopt immediate decisions on proposals of which they had had no previous knowledge. The conference was near its end, and it would be regrettable if unnecessary prolongations and delays were allowed. He thought, therefore, that he would be reconciling the reasonable consideration due to Russia with the requirements of the moment by proposing that the meeting should be resumed that afternoon at 5 o'clock, instead of being adjourned for twenty-four hours.

THE PRESIDENT asked M. Chicherin for his opinion on M. Motta's proposal.

M. CHICHERIN observed that, according to the regulations of the conference, the decisions to be taken at the meetings of the sub-commission were essential. If they wished to save time, he thought it would be preferable to shorten the interval between the last meeting of the sub-commission and the meeting of the full commission. In any case, they could not ask the Russian delegation to pronounce lightly on extremely important proposals which had just been submitted to it. The text, which the Russian delegation was acquainted with through the press, it could only regard as a draft. The Russian delegation had now to come to an agreement among its own members. For that purpose it would have to meet at Rapallo, where some of its members were. With the best will in the world, it would be physically and materially impossible to reduce to less than twenty-four hours the time necessary for forming an opinion and submitting it to the commission.

M. BRATIANO said that, as twenty-four hours appeared to be necessary to the Russian delegation, it should be allowed them. But it should be understood that the meeting of the sub-commission, at which the Russian delegation would make known its opinion should be extremely short. The Russian reply could only consist of an acceptance or refusal pure and simple, for it was impossible to reopen the discussion on proposals which were the result of a compromise laboriously arrived at between the Powers. The full sitting might, therefore, easily take place in the afternoon of the next day, and thus, it seemed to him, no useless prolongation of the conference would be necessary.

M. MOTTA supported M. Bratiano's proposal.

THE PRESIDENT stated that in these circumstances the sub-commission

would meet the next morning at 10.30 to hear the reply of the Russian delegation.

*(The meeting was adjourned at 12.40)*<sup>10</sup>

<sup>10</sup> On May 16, Sir M. Hankey wrote to Mr. Chamberlain as follows: 'Events have taken more or less the course which I forecasted in my last letter. In fact it looks as though the Prime Minister would succeed in snatching a success out of the Genoa Conference. . . . I say this, however, with a reservation as it is not possible to make a definite forecast until after we hear the reply of the Russians to-morrow.

'I wrote my last letter [not printed] at about midnight on Saturday [i.e. May 13]. Events since then have been roughly as follows:

'At the moment I wrote Sir Cecil Hurst and M. Fromageot were still closeted together trying to reach agreement on a formula for the proposed Commission or Commissions to carry on the negotiations with the Russians at some other place in continuation of the work of Genoa on the subject of the Russian negotiations. This idea had emanated from a conversation between the Prime Minister and M. Barthou on Saturday afternoon. It was decided, however, that instead of a continuation of this conversation *à deux*, the Inviting Powers should meet at the Prime Minister's Villa on Sunday morning [i.e. May 14]. This Meeting lasted all day. M. Barthou began, as the French always begin, by repudiating everything to which he appeared previously to have agreed. However, the Prime Minister handled him with great skill, and the result of the Sunday Meetings was an agreement in principle which late on Sunday night was converted by a Drafting Committee into the Procès-Verbal [No. 132, Annex] which I attach, covering the proposals to the Russians.

'At a late hour on Sunday night we had a bad scare. Reports reached us from all kinds of sources that the Russians were objecting to the procedure. Then we heard that a letter from Chicherin [No. 133, Annex I] was on its way. The Prime Minister decided to stay up until he had seen it, and somewhere about midnight an Italian official brought it to the Villa. However, when we saw it we were reassured, for it was clear that Chicherin had been acting under a misapprehension of the facts, and if only he would be reasonable it was evident there should be no difficulty in removing his objections.

'At a late hour the same evening, the American Ambassador called, and the Prime Minister, who had secured the consent of the Inviting Powers, gave him a copy of the document which he presented to the Sub-Committee on the following day.

'Early on Monday morning [i.e. May 15] the Prime Minister and M. Schanzer saw Chicherin, and as I have already telegraphed, succeeded in removing his objections. Chicherin had been under the impression that there was only to be one Commission of Enquiry into Russian affairs, and that the Russians were to be excluded from it. When it was made clear that there were to be two Commissions, one representing the Powers and one representing Russia to negotiate with each other, his objections fell to the ground. The argument which most appealed to him was that by having two Commissions Russia would get a representation equal to that of all the Powers negotiating with him, whereas if there were a single Commission, he could not expect to have a larger representation than that of any one Power. He also had a difficulty about the clause which provides for no separate agreement being made during the continuance of the negotiations. I am not quite clear whether his objections to this were wholly removed or not. I think, however, that they probably were removed owing to the fact that it was generally understood that Trading Agreements, and in fact any agreements outside the scope of the work of the Commissions (i.e. outside of Debts, Private Property and Credits) could be concluded.

'Anyhow, when the Sub-Committee of the First Commission (less the Germans and Russians) met on Monday morning, M. Schanzer was able to make a reassuring statement in regard to Chicherin's attitude on these points. Perhaps I should mention here that it did not come out at the Sub-Committee that the Prime Minister had been with M. Schanzer when he saw Chicherin, and so I did not put it in the official telegram.

'The Meeting of the Sub-Committee on Monday morning was of a most satisfactory character. Both the French and the Belgians appeared to be entirely satisfied with the

document which had been drawn up. It is true that they could not associate themselves with it because it formed part of the correspondence from which they had withdrawn, but M. Barthou and Jaspar both declared categorically that if the Russians accepted, they would recommend it to their respective Governments. The document passed without the alteration of a syllable, although M. Bratiano, the Roumanian Prime Minister, excited general hilarity by dragging up what is his "King Charles' head", that is to say the Roumanian treasure in Moscow [No. 47, n. 3] which was impounded by the Soviet Government. However, he was reassured by the statement that this would be brought up under the heading of Property or Debts, I really forget which.

"This morning the full Sub-Committee of the First Commission met and the document attached as an Annex [No. 132, Annex] to my enclosure was handed to them. Chicherin asked a number of questions, and ended by demanding 24 hours in which to consider the document. An appeal was made to him to give his answer this evening, but he stood out for his 24 hours. Chicherin's questions were very clever, and he kept trying to find inconsistencies. "Why", he asked, "should the Germans be excluded?" The reply was that the Germans had excluded themselves by concluding the Treaty of Rapallo [see No. 75, n. 1]. "But the Poles have concluded a Treaty of a much more comprehensive character with Soviet Russia, and so have the Baltic States", he answered. "If they are included, why should the Germans be excluded?" Skirmunt gave a reply to this, namely, that the Poles were known to have concluded their Treaty before the Genoa Conference began. The same argument, of course, applied to the Baltic States.

"The most interesting episode at the morning's meetings arose in connection with the Pact of Non-Aggression. Chicherin made some remark which led Viscount Ishii to think he referred to the position in the Far East, where, as you know, the Japanese have an army in the Siberian region which is constantly engaged in minor fighting with the forces of the Chita Republic. Viscount Ishii then suggested that no State which had not been invited to Genoa should be entitled to a voice in the Conference. In doing this he referred by implication to the Chita Republic which, in company with the Ukraine, Georgia, Azerbaijan, and one or two other Russian Republics, signed the Protocol at Moscow empowering Chicherin and his colleagues to represent them at Genoa. Chicherin at once pointed out the inconsistency of this statement with a remark the Prime Minister had made earlier in another connection, when he had alluded to the fact that the Soviet Delegation claimed to represent eight Republics just as the Powers at the proposed Commission at the Hague will represent a great number of States. Anyhow, the result was that Ishii pulled out of his portfolio a typewritten statement which I have reason to believe he has carried there since the beginning of the Conference, and which consisted in a violent protest against Soviet rule in Siberia, generally and more particularly against the Nikolayevsk incident, when the Japanese Consul, his wife and children, and some hundreds of Japanese inhabitants were slaughtered, all of which compelled the Japanese Government to keep their troops there as a matter of honour until satisfaction had been given and future security ensured. This evoked an even more violent and indignant protest from Chicherin, whose high-pitched voice almost reached a painful scream in his denunciation. In vain did Facta, the President, try to rule him out of order, while the Prime Minister at his side muttered that as Ishii had been allowed his say, Chicherin must be allowed his reply. Eventually, Chicherin roundly accused the Japanese of having used the Nikolayevsk incident, which he said had been negotiated by Japanese soldiers there, to obtain possession of Saghalien, which in their negotiations for Chita they had endeavoured to retain. At this point the Prime Minister intervened with one of his most admirable efforts and by a half-humorous appeal brought the Committee back to business. Viscount Ishii insisted on placing on record that it was wholly false that the Japanese had used this incident in the Chita negotiations to obtain possession of Northern Saghalien.

"Schanzer made the mistake of handing Chicherin the document given as an annex to my enclosure which still contained the word "Annex" and was even headed "Draft clauses for communication to the Russian Delegation". Chicherin made a good deal of fun of this, and provoked general laughter in the Sub-Committee against Schanzer. Of course it was

sheer bad staff work. The Secretary-General had not prepared a proper clean copy of the document for Chicherin, and he was merely given a cyclo-styled copy in French which had been made with a scrupulousness worthy of the Chinese, from the *Procès-Verbal* which we of the Drafting Committee had prepared on the Sunday. This, however, was only an amusing trifle.

'Meanwhile, we have received the reply of the Americans [see No. 132, n. 17] which, I understand, has been published in London. I will try and send a copy in the Bag, but up to the present I have not succeeded in extracting the one copy we have from the Prime Minister. Anyhow, you will see it in the newspapers. The American refusal is all the more a disappointment because the American Ambassador in Rome, who is watching the Conference here, had led the Prime Minister to hope that the Americans would accept. In fact late last night he had notified us that the reply would be sympathetic, and would probably mean acceptance subject to some quite reasonable conditions. I am glad that at the last moment my natural caution restrained me from telegraphing this through, though perhaps this was due more to the fact that I only got back at midnight.

'I had fully expected in this letter to be able to review the results of the Genoa Conference on the assumption that the new proposals had been accepted, but as my letter has already become too long I shall refrain, more especially since, as I have already mentioned, I am not quite sure yet that the Russians will accept.

'The Inviting Powers are meeting this afternoon to consider the form in which the Conference is to be wound up, namely, the question of a final act and so forth. If anything interesting occurs I will add something tonight. The general view is that we shall be going back Thursday, Friday or Saturday. Personally, I have my doubts, and I am inclined to think that I may win a bet I made two or three days ago, with Worthington-Evans that we should not leave before Monday [i.e. May 22]. I hope, however, that I shall lose it.'

## No. 135

P.C.I. 2] *Meeting of the Inviting Powers to the Genoa Conference held at the Palazzo Reale on May 16, 1922, at 5 p.m.*

PRESENT: *President*: Signor Facta.

*Belgium*: M. Jaspar.

*British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P.,  
The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P.

*France*: M. Barthou.

*Italy*: Signor Schanzer.

*Japan*: Baron Hayashi, Viscount Ishii.

THE PRESIDENT called upon Signor Schanzer to speak.

SIGNOR SCHANZER recalled the fact that the inviting Powers had decided, at their meeting on the 10th May, at 11 A.M.,<sup>1</sup> to refer to the Sub-Commission of the First Commission the examination of certain requests which had been addressed to the conference. Since that time, unexpected events had taken place, and it seemed difficult to begin the discussion of political questions of a very delicate nature, which were likely to give rise to lengthy discussion, at such a late stage of the conference. Moreover, the president of the conference, while not considering himself authorised to go back upon resolutions which had already been adopted, thought that all these questions should be submitted anew for examination by the inviting Powers.

<sup>1</sup> See No. 121.

### *Questions of Eastern Galicia and Lithuania.*

It was to be noted that several of these requests would be rendered unnecessary if the pact of non-aggression were adopted. The situation had therefore changed—the pact would, in fact, be based upon the *status quo*, and thus the territorial disputes which were still unsettled would no longer call for immediate settlement. The Italian delegation considered that the resolutions which had been previously adopted regarding Eastern Galicia and Lithuania should be reconsidered.

MR. LLOYD GEORGE said that he had always felt that peace could not be re-established in Europe until the frontier questions in Central Europe had been settled. One of these questions concerned Eastern Galicia and the other Lithuania, and both were questions which constituted a source of peril to the whole peace of Europe. The questions had been discussed while there was still some hope of concluding a final arrangement with Russia. If the Russians had accepted the memorandum of the 2nd May,<sup>2</sup> the question of boundaries would certainly have had to be discussed. They would have had to discuss the boundaries between Roumania and Russia, and no doubt the other frontier questions would have been raised as well. They were now proceeding, however, on another tack. The consideration of a final treaty with Russia had been postponed until after investigation by a commission of experts, who were to make certain recommendations to the various Governments.<sup>3</sup> After that, the Governments would have to take some joint action on those recommendations. It would then be time to settle the questions of frontiers. It was no use settling them immediately, as they had merely a truce with Russia. For that reason, although he had pressed for the settlement of those questions, he now thought that it would be a mistake to proceed with that investigation. The Lithuanian question was in the hands of the League of Nations; the truce which had been signed did not in the least bind the League of Nations not to proceed with their investigations in the matter.

SIGNOR SCHANZER observed that it appeared, from Mr. Lloyd George's remarks, that the discussion of the questions of Lithuania and Eastern Galicia was to be postponed, contrary to what had been previously decided.

M. BARTHOU fully agreed with Mr. Lloyd George and Signor Schanzer.

It was decided that, in view of the conclusion of a provisional pact of non-aggression, there was no longer any necessity for the Sub-Commission of the First Commission to discuss the frontier questions relating to Lithuania and Eastern Galicia.

### *2. Hungarian and Bulgarian Ethnical Minorities.*

SIGNOR SCHANZER recalled the fact that it had been previously decided to refer to the Sub-Commission of the First Commission the question of Hungarian and Bulgarian ethnical minorities. At the meeting at which they had been discussed, it had, however, been observed that they were essentially

<sup>2</sup> See No. 108, Annex II.

<sup>3</sup> See No. 132, Annex.



within the competence of the League of Nations, and that the only action which the conference could take in the matter was to recommend the Council of the League to consider the Hungarian and Bulgarian requests. Signor Schanzer thought that as the conference was shortly to come to an end, it was hardly desirable to discuss such delicate questions, which were likely to give rise to lengthy and heated discussion. He therefore proposed that the questions regarding ethnical minorities should not be discussed.

MR. LLOYD GEORGE recalled the fact that the inviting Powers had previously agreed that the question of minorities was a matter for the League of Nations to consider. It had been recognised that it was not a question upon which the conference could adjudicate, because under various treaties it was referred to the League of Nations. The only point was whether, in view of the fact that the representatives of most of the nations concerned had come to Genoa, there would be any advantage in allowing them to state their case, and then referring the question to the League of Nations. On the whole, he did not think it was worth while to hear speeches on subjects upon which the conference itself could not decide. He had seen M. Stamboliiski, who had wished to raise the question, and had told him that it was really a question for the League of Nations, and that the conference could do nothing more than accept a statement of the situation in writing. He was quite willing to accept this decision, and would therefore hand to the president of the conference in writing the statement which he had wished to make before the Sub-Commission of the First Commission. If the conference would agree to this procedure, and if the president would say that as the question of minorities was a matter for the League of Nations, he would send M. Stamboliiski's statement to the Council of the League, the Bulgarian delegation would be quite satisfied. The same thing might be done in the other cases; it would save a lot of time and trouble.

M. BARTHOU accepted Mr. Lloyd George's proposal in order to save time, on condition that the president of the conference merely acknowledged the receipt of M. Stamboliiski's statement, but did not read it out. He thought that if the document were transmitted after having been read out, it would almost amount to taking up a definite attitude in the matter. Under the circumstances, the president of the conference should, in M. Barthou's opinion, take up an entirely non-committal attitude, and simply ensure that the document in question was transmitted to its destination.

### 3. *Port of Dedeagatch.*

SIGNOR SCHANZER stated that M. Stamboliiski had handed him a memorandum of some fifteen pages concerning the question of the Port of Dedeagatch (Annex I). The memorandum also dealt with the question of an outlet on the Ægean Sea, which the inviting Powers had decided, at their meeting on the 10th May, to refer to the League of Nations. Signor Schanzer thought that under the actual circumstances, the question could not be discussed by the conference. He therefore proposed that the document

should be referred to the Powers signatory of the Treaty of Neuilly,<sup>4</sup> within whose competence it appeared to fall.

MR. LLOYD GEORGE fully approved this decision, and asked Signor Facta, as president of the conference, to write a letter to M. Stamboliiski stating that the document which he had submitted had been referred to the Powers signatory to the Treaty of Neuilly.

It was decided—

- (1) That, contrary to the resolution of the 10th May, the Sub-Commission of the First Commission would not proceed with the investigation of the requests relating to Hungarian and Bulgarian minorities.
- (2) That these requests should be transmitted to the League of Nations.
- (3) That the memorandum submitted by the Bulgarian delegation concerning the Port of Dedeagatch should be referred for examination to the Powers signatory to the Treaty of Neuilly.

#### 4. *Health Conference at Warsaw.*

SIGNOR SCHANZER recalled that at the meeting of the 10th May, the inviting Powers had adopted the text of a recommendation to the Governments to organise the campaign against epidemics; the Sub-Commission and the First Commission were to be asked to submit this recommendation to the conference. Signor Schanzer thought that, under the actual circumstances, the conference should be asked to adopt a resolution of this kind at the closing session. He therefore submitted the following draft to the meeting:—

‘The conference approves the principles adopted at the Warsaw Conference for the anti-epidemic campaign, and for measures for European health protection, and invites the European Governments represented at Genoa to consider immediately the application of these principles and to ask their respective Parliaments for the necessary funds for this purpose.’

M. BARTHOU asked that in the text proposed the word ‘invites’ should be replaced by ‘recommends,’ and that the last phrase following the words ‘application of these principles’ should be suppressed. The conference could not, in his opinion, invite Governments to ask their respective Parliaments to vote the necessary credits. The French Government had already opened a credit for this purpose.

MR. LLOYD GEORGE said that it was absolutely useless to ask the Governments to consider such resolutions unless they were at the same time asked to vote the necessary credits. That was really the whole point of the resolution.

M. BARTHOU, whilst sharing Mr. Lloyd George’s opinion, thought that they must take the susceptibilities of Governments into account as far as possible. The Governments must not get the impression that the conference was making them suggestions of an almost imperative nature.

MR. LLOYD GEORGE said that he would have thought that a conference like that of Genoa, representing twenty or thirty Governments, would have

<sup>4</sup> Of November 27, 1919 (see *B.F.S.P.*, vol. 112, pp. 781–895).

the right to recommend Governments to ask for credits. After all, several of the recommendations which had already been made by the conference were of a far more drastic character than the one under discussion. There were, for instance, recommendations on the economic and financial side concerning the regulating of budgets. The conference had, for example, recommended the various Governments to take the necessary steps to ensure that their budgets were, as far as possible, made to balance. If they could go as far as that, Mr. Lloyd George thought that they could recommend Governments to ask for credits. If they did not ask for credits, the resolution would be no good at all. He therefore proposed that the final phrase should be allowed to stand, replacing the word 'ask' by the word 'appeal'. In any case, if practical measures were not taken, the epidemic which was raging in Eastern Europe might very well sweep over the whole of Europe.

M. BARTHOU accepted Mr. Lloyd George's last amendment.

After a short interchange of views, it was decided that the following resolution should be submitted to the conference at the plenary session:—

'The conference approves the principles adopted at the Warsaw Conference for the anti-epidemic campaign, and for measures for European health protection, and recommends the European Government[s] represented at Genoa to consider immediately the application of these principles, and to appeal to their respective Parliaments for the necessary funds for this purpose.'

#### 5: *Action of the Red Cross in Time of Peace.*

SIGNOR SCHANZER informed the meeting that the president of the conference had received from the Mixed Commission of the International Red Cross Committee and of the League of Red Cross Societies, and from the president of the Italian Red Cross, a note (Annex II) asking the Genoa Conference to invite the Governments represented at Genoa to conclude a convention recognising to the Red Cross the right to exercise, in time of peace, the duties of international health, assistance and relief in national calamities, and those of the encouragement of health measures.

Signor Schanzer thought that the initiative taken by the Red Cross Committee was particularly worthy of praise, and that its appeal could hardly be refused by the conference. Under these conditions, he asked whether the meeting did not consider that the draft resolutions should be referred to the Sub-Commission and to the First Commission for examination.

SIR LAMING WORTHINGTON-EVANS thought that a question of that kind was not within the competence of the conference, and was rather within that of the League of Nations.

M. BARTHOU agreed: in the wish to support a very praiseworthy step, they must not, he said, risk giving rise to disputes between the conference and the League of Nations. This result would detract from the work they wished to encourage.

SIGNOR SCHANZER, in view of the discussion which had taken place,

adopted the views of the majority, but maintained his own opinion that the motion in question fully deserved the support of the conference.

It was therefore decided to propose the adoption of the following resolution by the conference at the closing session:—

‘The Conference of Genoa decides to refer to the League of Nations the memorandum submitted to it on the 4th May, 1922, by the Mixed Commission of the International Red Cross Committee, and of the League of Red Cross Societies, and by the president of the Italian Red Cross.’

6. *Form to be Given to the Final Act of the First Commission.*

SIGNOR SCHANZER thought that they should now begin the discussion of the question of the form under which the engagements contained in the document<sup>3</sup> were to be set forth. He recalled the fact that it had previously been suggested that a final protocol should be drawn up and signed by all the Powers.<sup>5</sup> It appeared that the British delegation objected to this procedure. Another solution might be found in the approval of the document, first by the Sub-Commission of the First Commission and then by the Commission itself. A final Act would be drawn up registering this approval, and signed, not by the Powers, but simply by the President of the conference. Signor Schanzer emphasised the fact that there must, in any case, be a definitive document, whether in the form of a protocol, minutes, or a treaty, to register the agreement.

SIR LAMING WORTHINGTON-EVANS asked that a resolution should be submitted to the conference at the plenary session. The adoption of this resolution would be registered by the final act of the conference, which would make mention of the delegations which adhered to the resolution.

SIGNOR SCHANZER said that it would be difficult to adopt such a procedure since it would mean that the German delegation, which had been excluded from the discussion of the Russian question,<sup>6</sup> would have to take part in the voting. He therefore thought it would be preferable to submit the resolution for the approval of the First Commission itself, which had been convened to discuss the Russian question.

SIR LAMING WORTHINGTON-EVANS thought that this difficulty might well be overcome, especially as the procedure proposed by Signor Schanzer would, in his opinion give rise to many difficulties. He thought that the difficulty in question might be smoothed over if it was stated that the Governments which had taken part in the discussion of the Russian question in the sub-commission had approved the resolution in question.

SIGNOR SCHANZER observed that the resolution must necessarily be approved by all the delegations concerned; otherwise it could be nothing more than a resolution approved by the sub-commission and would only be binding upon the States represented in that commission. He therefore proposed that the resolution should be submitted for the approval of the First Commission.

<sup>5</sup> See No. 134.

<sup>6</sup> See No. 76, Appendix II.

SIR LAMING WORTHINGTON-EVANS thought that Signor Schanzer had misunderstood his proposal. He had meant to allude to the Governments which would be represented at The Hague, that is to say, to all those which were represented at the Genoa Conference with the exception of Germany.

SIGNOR SCHANZER stated that, as all misunderstandings had thus been removed, he would accept the procedure proposed by Sir Laming Worthington-Evans, a procedure which did not as a matter of fact differ from that which he had proposed himself. The First Commission would, therefore, be convened with the exception of the German delegation which would not be called upon to attend as the meeting would be entirely devoted to the discussion of Russian affairs. The object of the meeting would be to submit to the commission the resolution adopted by the sub-commission, and to ask each of the delegations present whether they adhered to the text submitted, and whether they were prepared to send their representatives to The Hague to work on the commissions which were to discuss the Russian problem, so as to establish clearly the exact position of each delegation in the matter.

No objection was raised to this procedure, and the president therefore stated that it was adopted.

#### *7. Agenda of the Conference.*

M. BARTHOU wished to begin the discussion as to the agenda of subsequent meetings. He wished to point out in this connection that the French delegation, like most of the other delegations, wished to return home as soon as possible; the conference included a great many statesmen who had to return to their Parliaments without delay. The conference could not be further prolonged, especially as it had already accomplished all that it could accomplish. He thought that the conference might terminate on the following Thursday<sup>7</sup> at latest. The next day could be devoted to discussing with the Russian delegation the proposals which were submitted to it, and after registering the reply of the Russian delegation to these proposals, the closing session of the conference could be held. The agenda for that session would be quite simple; there only remained the report of the Economic Commission to be heard; then after an exchange of speeches there would be nothing to do but separate. Under these circumstances M. Barthou requested the president of the conference to take the necessary steps so that the delegations would be able to leave Genoa on the following Friday. In conclusion, he wished to point out that his words were not intended to cast any slur upon the city of Genoa or the Italian Government; on the contrary; the French delegation could only pay a tribute to the welcome which it had received and of which it would carry away a happy memory.

SIGNOR SCHANZER was most anxious to satisfy both M. Barthou and the other delegations. He understood as well as anyone else that the statesmen who had come to Genoa must return to their countries where they were required by their Government. It must not, however, be forgotten that the work of the Genoa Conference was of very considerable importance, and that

<sup>7</sup> i.e. May 18, 1922.

the result of the work could not be made to depend upon a simple question of time. He wished to give M. Barthou the formal assurance that everything would be done to permit the conference to terminate at the date indicated, but he could not make any definite promise in the matter. It was obvious that the conference could not break up until it had satisfactorily completed the work which remained to be done, that is to say, until an agreement had been reached with the Russian delegation. Signor Schanzer recalled the fact that before the closing session took place a plenary meeting of the First Commission would have to be convened. A meeting of the commission might be held the following afternoon after the meeting of the sub-commission, including the Russian delegates, had taken place. He could not, however, undertake that this would be carried out.

M. BARTHOU believed that Signor Schanzer had alluded to a possible discussion with the Russian delegation. He wished to declare that there could be no question of discussing with that delegation the proposals which had been drawn up by common agreement between the Powers.

These proposals had been arrived at by means of a difficult compromise, and they could not be reconsidered. The least modification might be fatal to the agreement which had thus been reached.

MR. LLOYD GEORGE was also anxious to return home, although he could not say he was anxious to leave Genoa, where he had been received so hospitably and kindly by everybody. He had, however, very great responsibilities in England and he could not stay any longer in Italy. He was under the additional disadvantage that the British Parliament was actually sitting, and had been sitting during the whole of the conference. Up to the present it had not interfered in any way with the action of the British delegation at Genoa; but, still, the presence of the British Prime Minister in London was most necessary, as important questions were shortly to be discussed. Mr. Lloyd George wished to be back in London on the following Monday,<sup>8</sup> as the Members of the House of Commons usually question the Government and he wished to be there to reply. At the same time, he thought that it would be a mistake not to complete their task merely because they were in a hurry to get home. The delegations had already been at Genoa for five or six weeks, and he thought that they must be a little patient in terminating their labours. After all, they had taken three or four days to prepare the reply to the Russians. The reply had only been delivered that morning. It was true that they had seen it in the press, but they could not sit down and consider a document which appeared in the press. That morning the Russian delegation had asked a very considerable number of questions which were quite to the point. They were proposing to meet in the afternoon. It was possible that they might be able to give a final answer the next day, but if they took longer than that the Powers could hardly break with them for that reason. The Russians had their difficulties, too, and they had some perils to face to which the other delegations were not exposed. He did not see why the conference should not terminate on Friday,<sup>9</sup> but did not think

<sup>8</sup> i.e. May 22, 1922.

<sup>9</sup> i.e. May 19, 1922.

that the date of termination should be definitely fixed. They should rather determine to complete the task, but without fixing a time limit and without declaring that they would leave on Friday whether the task was finished or not. They could not prevent a delegation which had come all the way from Russia from discussing a document which was put before them and which vitally affected their interests. If this right was refused to them, they would be entitled to reply that it had been useless to ask them to come to Genoa, as the Powers merely wished to hand them an ultimatum which they might just as well have sent by post to Moscow. They had conducted a discussion that morning in a quite moderate and temperate way; there had only been one little incident, which had quickly been smoothed over. In any case, Mr. Lloyd George was quite certain that Viscount Ishii was the last man in the world to complain of what had happened.

M. BARTHOU stated that he would do everything in his power to take Mr. Lloyd George's remarks into consideration.

This completed the agenda, and the meeting adjourned at 6.40 P.M.

#### ANNEX I

##### *Letter of M. Stamboliiski to the International Economic Conference of Genoa.*

NERVI, May 16, 1922.

I have the honour to thank the president of the conference, the president of the British delegation and their colleagues of the Italian and French delegations for taking into consideration the declaration of the Bulgarian delegation and giving me the opportunity of expressing in a more detailed manner what follows:

Bulgaria is, of all the countries of Europe and the Balkan Peninsula, the country which has been most severely punished by the world areopagus of Paris. Not only have contested regions been taken away from Bulgaria, but even those the position of which has never been discussed. She has been deprived not merely of new territories, but also of ancient territories which had formed an integral and indivisible part of the kingdom from the time of its liberation until now.

This excessively severe punishment can only be explained by the fact that the sentence pronounced against Bulgaria was the result of two elements, one human, the other political—that is to say, on the one hand, the desire of the Great Powers to administer chastisement, and, on the other hand, the violent and concentrated rage of all the neighbouring States, which by a happy accident happened to be on the side of the Allied Powers.

The Bulgarian people, resigned to its lot, submitting itself to the obligations of the Peace Treaty, the clauses of which it has so far executed loyally and without protesting, has but one consolation. It has succeeded in acquiring, after the sudden blow which has brought so many misfortunes and injustices upon it, the right to govern itself freely and has imposed its ideal of a peaceful and civilising development.

The Bulgarian people has chased from the political stage the statesmen

who had dragged it by force and in spite of its own feelings into two wars, those against whom it had to struggle alone during the last war, enduring the most terrible cruelties under the rod of an illegal régime—dark, damp prisons, threatening gibbets, horrible executions and tyrannical proceedings.

On this road of liberty, peaceful life and culture, upon which the Bulgarian people had so resolutely and sincerely entered, it sees obstacles arise; its road is barred, mined and obstructed.

Its outlet to the Ægean Sea, a near and free sea, which would enable it to enter into direct commercial relations with civilised and industrial countries, no longer exists.

Bulgaria, however, has no other effective outlets. The waters of the Danube are often insufficient, or even frozen, during the months most favourable to the trade of agricultural Bulgaria, which is also a source of mineral ores, and the Black Sea is a closed and stormy sea and not at all favourable to an increased commercial activity, since even in the most favourable seasons, transport by that route is longer and more costly.

The Bulgarian people cannot understand why Thrace has been taken from it, a region which no one had claimed from it or coveted in the past and which does not represent for any other country the vital necessity which it represents for Bulgaria.

It recognises that it might expect to be punished for the crimes of its Governments, but it does not understand why the penalty should be a condemnation to death.

To take away Thrace from Bulgaria, a district so vital to its national economy, is to condemn this country to death, to strangle it gradually until it dies, at the very moment when it has liberated itself from the tutelage and oppression of an unscrupulous monarchical oligarchy and from an insupportable militarism and embraced new ideas of lasting peace and sincere relations with the neighbouring countries, at the moment when it has given itself up to the task of radical reforms and economic reconstruction with an enthusiasm which has no equal in the past.

At present individual effort is with us not only a right, but a supreme duty towards the State. The love of work is not merely a virtue, but a national and social obligation which forms the basis of our education.

By article 48 of the Peace Treaty of Neuilly, Bulgaria was obliged to transfer Thrace to the great victorious Powers. According to the provisions of that article the Great Powers assumed the obligation to guarantee to Bulgaria a real outlet to the Ægean Sea.

As president of the Council of Ministers, I was entrusted in 1919 with the thankless task of signing the Peace Treaty which had just been completed. I had just come out of prison, where I had spent three years, condemned to perpetual confinement in consequence of the struggle which I had carried on in 1915, side by side with our people, against the criminal policy of King Ferdinand and his creatures. I had only just legalised my position, after directing the revolution of 1918, as a result of which the person chiefly responsible for a series of national disasters was dethroned.



I have to confess before all the world that I signed this judgment on the crimes of my predecessors, and on the error which our people and I myself had committed in 1915, abandoned as we were by all the Powers of the Entente, in not having held back the hand and sword raised against our neighbour of the same race, Serbia, and the other lands of civilisation and liberty. I signed under the conviction that access to the Ægean Sea would be secured to Bulgaria through an autonomous or neutralised Thrace.<sup>10</sup>

Surprised by this punishment, which was incomprehensible to every Bulgarian, I said to myself, the great victorious Powers have decided to strain the sea, air and maritime property through a special net or apparatus called an autonomous neutralised or international Thrace, and to hand them over afterwards, by virtue of the provisions of article 48 of the Peace Treaty to the continental Bulgarian people.

You will all easily understand what was my astonishment and that of the whole Bulgarian nation when, by the decision adopted at San Remo,<sup>11</sup> the whole of Bulgarian Thrace, internationalised by the Treaty of Neuilly, was transferred to Greece,<sup>12</sup> although the latter had never had any right or claim to it, and the transfer was wholly unnecessary.

All this took place, moreover, at the moment when the Bulgarian people was giving the clearest proofs of its repentance and loyalty. It had expelled King Ferdinand, overthrown his collaborators and instituted proceedings in the High Court against them with a view to removing them from the political life of the country.

A new Bulgaria had come into existence, governed by new statesmen, who had no responsibility for the crimes of the past and who represented new ideas and a new policy.

This new Bulgaria has confronted with honour and complete success the strikes of railwaymen, public officials and miners, the Bolshevik disturbances, the demonstrations of soldiers and the reactionary intrigues.

She has completely safeguarded peace and order and rapidly executed the onerous clauses of the Treaty of Peace.

All this, however, has not prevented the decision of San Remo transferring Thrace to Greece from bursting over the head of Bulgaria, like a thunder-bolt from a clear sky, and paralysing Bulgarian access to the Ægean Sea.

Since then we have ceased to believe that we possess an outlet to the Ægean. We have felt the whole horror of the sentence against us, and we have understood that the outlet guaranteed by the victorious Powers was purely illusory and that it can never become real, unless a change takes place.

You ask us why. This is the reply:—

There is no other human activity which demands to the same extent as trade a complete and guaranteed security. Without that, trade is impossible whether from the psychological and moral point of view, or the physical.

<sup>10</sup> Cf. No. 121, minute 10.

<sup>11</sup> See Vol. VIII, No. 11.

<sup>12</sup> By the Treaty of Sèvres, August 10, 1920 (see No. 19, n. 7).

The Ægean Sea is at a distance of 30 kilom. from the fertile and cultivated land of Bulgaria. Bulgaria, a hardworking country desirous of culture and commercial liberty, is barred from all access to the sea. It is convinced that the hermetical sealing of its economic outlet at Dedeagatch can only be a temporary measure, a kind of quarantine which the voice of justice and public opinion must in time suppress.

An outlet for Bulgaria across the Greek or Turkish territory would exactly resemble a French outlet across German territory, or vice versa. It is even more terrible than that would be, for the French and German people are highly civilised, whilst the civilisation of the Balkan peoples is only one degree better than that of the Oriental races.

Profound hatred, the result of generations of struggle, exists between Bulgaria and Greece. These two nations have lately been engaged in two great wars, and it must not be forgotten that there are a considerable number of Bulgarian elements in Greece. Greece installed in [Western Thrace] is a body stretched before the door of Bulgaria. If Greece is in possession of the Bulgarian outlet, it is as though her fingers were upon the very eyes of the Bulgarian nation.

Under these conditions, how can there be an effective outlet for Bulgaria across Grecian territory? The Bulgarian people are firmly and unreservedly decided to live in peace and concord with Greece, but it must be recognised that an economic outlet through Greece is impossible, even from a psychological point of view.

Our outlet to the Ægean is thus an outlet through 'the chimney of Greece'. It is difficult enough to get out by the chimney of a friend; it is far more difficult to pass through the chimney of an enemy. Even the civilised man, when people pass through his property, on their way to the town or the market, will be annoyed by the intrusion, but the uncivilised man, if people cross his territory, will not confine himself to showing his annoyance, even if the intrusion is warranted by virtue of treaties, but will insult, threaten and provoke the intruder.

An economic outlet for Bulgaria through Greek territory would be like a bare hand stretched out in the middle of a wasps' nest. Even if exports were carried out by air, they would still be subject to considerable danger.

Gentlemen, the Bulgarian people conform to the provisions of all international treaties, and apply them loyally. Bulgaria has disarmed, not only materially, but also morally; it unreservedly accepts all the principles which the promoters of the Genoa Conference and their collaborators have adopted, both in their decisions and as a basis for the restoration and reconstruction of the world by peaceful means.

But the Bulgarian people must live; it desires justice and endeavours to conform to the conditions which will permit it to collaborate with other nations. The Bulgarian nation appeals to the generosity of the victorious Powers, and of the other peoples, and begs for their assistance in the attainment of its end. Our people are only asking for an open economic window through which they can look towards your industries and markets; they are

not asking for territory, but simply for an outlet; they do not wish for land, but for the air, which is necessary for their life. It is a right which cannot be denied them; it is simple justice which allows neither doubt nor suspicion.

We are asked why we demand a port so inconvenient as Dedeagatch instead of Cavalla, or one of the other numerous ports of Greece.

We reply: 'Because Dedeagatch was a Bulgarian port, and we can approach it through Bulgarian districts; the way to it lies through territory which we have ceded to the Great Powers, and is at the limit of the present frontiers of Greece. The Bulgarian people, which supports the rights of private property by every means, will do everything to improve the port of Dedeagatch when it is finally handed over to her'.

We are asking for the application of article 48 of the Treaty of Neuilly. We are asking for an outlet on the Ægean Sea, which has been promised and is absolutely essential to us. It will only be effective if we can approach it through our territory, or through an autonomous international or neutralised territory. It will allow the local population, of which the great majority is Bulgarian and Turkish, while the minority only is Greek, to live and breathe freely and independently.

I have read a speech by a British statesman, pronounced after the first ratification of the Treaty of Sèvres, in which he stated that if the Thracian question was settled in this manner, there would be no means of compelling Greece to withdraw from the conquered and unhappy territory. He was mistaken. The truth is that there is no European country which dares to adopt anarchial principles and risk isolating itself entirely by not submitting to the decision of other Powers.

Anarchy in international life is in the first place disastrous for the nations that provoke it. When such a great country as Bolshevik Russia feels the need of international life, it cannot be denied it by small States such as Greece. The decision of the Powers to set up Thrace as an independent province, under the control of the League of Nations, may be enforced immediately by the local population, which is fully capable of doing so.

In conclusion, I would once more venture, gentlemen, to beg you to allow a people of 5,000,000 souls, the number now comprised within the frontiers of Bulgaria, the possibility of life and development. Do not cut them off from it, do not raise an artificial barrier between them and you. Do not allow their road to be obstructed any longer.

As Bulgarians, we believe in international treaties, but as a Balkan people we know that we cannot count upon the execution of treaties on Balkan soil unless your strength is there to enforce them.

We do not want to impose upon you the rôle of permanent police for our outlet across Greek territory, which would be continually paralysed by hindrances and provocations.

We do not want to be a source of eternal nuisance to you, nor do we want the seeds of a new war to be sown between two neighbouring peoples—Bulgaria and Greece. We want to put an end to an unjust state of affairs, we want to establish a veritable and lasting peace.

Speak your word, and give us that peace. Save the Bulgarian people from a decision which would be fatal, save the Greek people from a dangerous intrusion, and save the population of Thrace from the uncertainty which preys upon them.

We are asking for nothing that is not included in the Peace Treaty; we are asking that the Treaty of Neuilly, which has taken so much territory from us, which has taken from us 1,500,000 Bulgarians, which has burdened us with a considerable reparations debt and which has disarmed us, should be re-established as it was when we signed it; we are asking for the application of article 48.

In the name of the unhappy people of Bulgaria, I appeal to this great assembly to grant us justice, right, peace and the vital necessities of our existence.

We ask you to give them to us. You can do it!

## ANNEX II.

*Joint Commission of the League of Red Cross Societies and of the International Committee of the Red Cross to the President of the Genoa Conference.*

GENOA, May 4, 1922.

The International Red Cross, represented by the Joint Commission of the International Committee of the Red Cross and the League of Red Cross Societies, desires to express to all the Governments represented at the Genoa Conference the hope and desire for peace which animate the millions of members of the Red Cross who are united in a universal effort of goodwill for combating the physical and moral sufferings of humanity.

After the Tenth International Conference of the Red Cross at Geneva in April 1921, on the proposal of Senator Giovanni Ciralo, president of the Italian Red Cross, unanimously approved by the Assembly, at which thirty-eight nations were represented, the Joint Commission of the International Committee of the Red Cross and of the League of Red Cross Societies issued an appeal for peace, which called upon all nations and all men of feeling, 'whatever their nationality, their religion, their profession or their social rank, to carry on according to the means at their disposal a continuous and general propaganda against the spirit of war which threatened to destroy for ever the peace of the world'.

'Let statesmen, writers, schools, universities, capital and labour,' continued this appeal, 'all remember that they should, in obedience to a higher interest common to all, assist in the conquest of the earth for peace. It is especially necessary that children should grow up under the influence of this essential idea.

'It is necessary, therefore, to restore in the minds of men the principles of an internationalism which represents the love of every citizen for his city, and of every patriot for his country, but which also teaches every man the same respect for the existence and the rights of all his fellow creatures, and

causes the light of a universal and permanent justice to penetrate into individual and daily life.'

This appeal of the Red Cross, which is, and desires always to remain, an independent and universal institution, carrying on its activity not only in time of war, but also in time of peace, and in the interests of peace, it is our duty to renew and to present to this great Conference of Genoa, from which should issue, along with the economic reconstruction of Europe, the design and purpose of a new civilisation of peace succeeding the civilisation of war which has drenched the earth with blood throughout the ages.

The Genoa Conference cannot fail to realise the importance of the new steps taken on the road of universal conciliation by the National Red Cross Societies both at the Tenth International Conference of the Red Cross in April 1921, and at the second meeting of the General Council of the League of Red Cross Societies in March 1922.

The institution of mutual aid between peoples in public calamities, the fraternal organisation of youth under the ægis of the Red Cross, and yet other efforts resulting from these two assemblies, will ensure the diffusion of the spirit of peace in the new generations of the whole world.

In these circumstances, the Joint Commission of the International Committee of the Red Cross and of the League of Red Cross Societies considers that the Genoa Conference might, in the interest of the high ideal which it seeks to realise, call the attention of the different nations to the peace programme of the Red Cross, and recommend the Governments represented at the conference to assist their Red Cross Societies in securing the triumph in their respective countries of the sentiment of solidarity on which any guarantee of a durable peace depends. By promoting works of mutual aid between nations, this sentiment will be made to penetrate into the popular conscience.

*Proposal by the President of the Italian Red Cross Society.*

On the 6th April, 1921, at the plenary assembly of the Tenth International Red Cross Conference at Geneva, Senator Giovanni Ciraolo, general president of the Italian Red Cross Society, proposed the following resolutions, which were adopted:—

1. 'The Tenth International Red Cross Conference asks the International Committee of the Red Cross to consider the possibility of recommending to the Governments, signatories of the Geneva Convention, the conclusion of a new convention providing for wider recognition of the Red Cross, its rôle of peace, and particularly its work of relief of populations affected by public calamities.

'The Tenth Conference recommends that this new convention should take into consideration the possibility of the mutual insurance of peoples against public calamities and the advisability of compulsory insurance of all citizens against such calamities.

2. 'The Tenth International Red Cross Conference recommends that international funds should be established with a view to the speedy solution

of the problems raised by the present calamities, and that the national Red Cross Societies should immediately proceed to establish such funds.'

These resolutions were adopted after long discussions both in the commissions and in the plenary assembly; for the first time the delegates of the Red Cross Societies throughout the world were confronted with the problem of mutual insurance of peoples against calamities with the assistance of the States, and with systematic and continuous preparation of staff, material and relief funds, such as to enable a relief army to be mobilised immediately and rapidly for the benefit of nations suffering from calamities.

Senator Ciraolo, speaking in the plenary assembly in support of his proposals, reminded his hearers that no State had even been in theory opposed to the conception of international solidarity, and every Red Cross Society was anxious to do everything possible to develop work of mutual assistance amongst mankind. But unfortunately the cost of works of international solidarity was very great, and they could not be carried out without large sums of money; the Red Cross Societies were endeavouring to realise lofty ideals with very limited resources. Consequently when a nation became the victim of some natural catastrophe, of the consequences of wars, of epidemics or of famine, other States and the Red Cross societies themselves provided relief, which was disorganised, unco-ordinated and insufficient to meet the needs of the case; such relief was rather a proof of the goodwill and humanity of those by whom it was provided than an effective means appropriate of remedying the disasters suffered by the peoples.

Thus, having adopted the proposal of Senator Ciraolo, the delegates of the Red Cross Societies of the world adopted as a common task of the Red Cross Societies the institution of international relief by mutual insurance between the nations. Up to the present, however, this has merely been an affirmation of principle and no steps have been taken for its practical application; it is necessary to organise in order to provide funds in proportion to the needs. The Red Cross Societies can only undertake this organisation in agreement with the States, and subject to a preliminary convention of an international character which will pledge them all to this common task.

During the war every country expended huge sums upon engines of destruction, armies and complementary services for these elements of destruction, but no country ever thought of devoting a part, however small, of its budget to the establishment of an army of relief. Senator Ciraolo has been the first to voice the idea of a convention for mutual relief in national disasters.

On the other hand, all Governments support in theory, especially at the present Conference of Genoa, the necessity of international solidarity. Here is a rapid, practical and sure means of putting into practice that ideal of international solidarity; it is an easy and advantageous way of proving to the civilised world that the Genoa Conference wishes to realise that ideal, not only in political treaties, but also in practical work which will satisfy the wishes and aspirations of peoples. This work of mutual insurance against calamities, if it is adopted by the Genoa Conference, and put into the way

of realisation, will provide the highest example of new and practical means of obtaining international solidarity.

It will be sufficient if one of the presidents of the delegations of the Entente makes use of his authority in the conference to propose that the principle adopted by the International Red Cross Conference at Geneva should be adopted by the Conference of Genoa; and that, in consequence, a date shall be fixed for a conference of the delegates of the States represented at Genoa, to reform the Geneva Convention of 1864,<sup>13</sup> and to found the work of mutual relief between peoples, entrusting it to the Red Cross, and ensuring the collaboration of all countries in proportion to their population and economic situation.

When the Conference of the delegates of States has adopted this principle, and has announced a meeting of the congress of delegates of Governments to put it into execution, the collaboration of the delegates of the Red Cross in the congress itself will provide the technical knowledge necessary for the settlement of the great question in a practical and effective manner.

*Proposal for Adoption.*

The Genoa Conference decides that the Governments represented at that conference shall draw up a convention attributing to the Red Cross, in time of peace, the duties of national health assistance, relief in national calamities, and the encouragement of health measures; it also decides that the great work of mutual insurance of nations against public calamities shall be assigned to the Red Cross by the Governments represented at Genoa, which shall take steps to provide the means to this end, giving assistance in the proportion of the population and economic situation of each of them.

A conference of the delegates of the States which adhere to this decision, and of the Red Cross, shall be convened two months after the adoption of this resolution, to determine the means and methods of its execution.

<sup>13</sup> See *B.F.S.P.*, vol. 55, pp. 43-7.

**No. 136**

P.C.S. 13] *Fourth Meeting of the Sub-Commission of the First Commission held on May 17, 1922, at 10.30 a.m.*

PRESENT: *President*: Signor Schanzer.

*British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P.

*Italy*: Signor Schanzer.

*Japan*: Baron Hayashi and Viscount Ishii.

*Poland*: M. Skirmunt.

*Roumania*: M. Bratiano.

*Russia*: M. Chicherin.

*Sweden*: M. Unden.

*Switzerland*: M. Motta.

The meeting opened at 10.30 A.M.

SIGNOR SCHANZER informed the delegates that Signor Facta was slightly indisposed, and had asked him to take his place in the chair. He called upon M. Chicherin.

M. CHICHERIN said that he desired, in the first place, to express the deep regret of the Russian delegation that the labours of the First Sub-Commission as a whole had been interrupted for so long. The sub-commission had been created in order to enable the representatives of Russia and of the Principal Powers to arrive at common decisions by means of joint deliberation. Nevertheless, instead of this common examination of the questions at issue, the representatives of the other Powers had prepared their memorandum of the 2nd May<sup>1</sup> without the Russian delegation. Composed in that way, the memorandum could only be a one-sided document, and could provide no basis for agreement. The Russian delegation could only reply to it by a detailed exposition of its own point of view.<sup>2</sup> That method of treating the questions at issue did not advance their solution by a single step. In view of the complexity of the problems relating to the financial differences between Russia and the other Powers, the nature and extent of the claims presented to Russia and the difficulty of deciding upon the credits to be granted to her, the Russian delegation had proposed that a mixed commission of experts, on which the representatives of Russia and of the other States would meet on a footing of complete equality, should be appointed by the conference for that purpose. In spite of that, the Russian question had once more been discussed by the delegates of the other Powers in the absence of Russia.<sup>3</sup> Those delegates proposed that the other Powers should appoint an entirely new commission of experts, and that the Soviet republics should appoint another commission.<sup>4</sup> What they proposed was, in fact, a conference, but on a basis entirely different from that of Genoa. At the Genoa Conference, all the European States, including Russia and Germany, were represented under identical conditions. At the conference which was proposed, the representatives of the other States would meet without Russia; another commission would then be formed composed of the Soviet representatives; the commission of the other States would sometimes work with it, and sometimes separately. The Russia delegation wished to point out that that plan did not in any way coincide with its own proposal. The system of two separate commissions had already been applied at Genoa, and was in a large measure responsible for the unsatisfactory results obtained. It was now proposed to adopt that system in the proposed negotiations. Such a result fell far short of the expectations aroused by the Genoa Conference. The Russian delegation declared that it could not accept responsibility for the new proposal. They were convinced that all the members of the sub-commission recognised that the system was unsatisfactory, and they regretted that on this point the members of the sub-commission had given way to States which, after proposing that procedure, did not even dare take the responsibility for the document which had been presented to the Russian delegation. The latter,

<sup>1</sup> See No. 108, Annex II.

<sup>2</sup> See No. 122, n. 2.

<sup>3</sup> See Nos. 128-33.

<sup>4</sup> See No. 132, Annex.



however, did not wish to neglect a possible means of reaching an agreement merely on account of a question of procedure, and announced that Russia would take part in the proposed conference. They had come to Genoa with the intention of working together—in spite of the difference between their economic systems—for the reconstruction of Europe; but instead of that, the other Powers preferred to divide the conference into two parts, creditors and debtors, and wished to adopt the same system in future.

The Russian delegation regretted this, but accepted it as a fact. They objected in particular to the exclusion of Germany from the commission in question. The explanations given to the Russian delegation in the sub-commission<sup>5</sup> had only proved that there was no real reason for excluding Germany, while countries which had much more comprehensive treaties with Russia were invited, especially as the participation of Germany was of great practical importance in the matter of the credits to be granted to Russia, a question which was not affected by the Treaty of Rapallo.<sup>6</sup>

In paragraph 4 of the proposal submitted to the Russian delegation, it was suggested that the proposed commissions should meet at The Hague. The Russian delegation considered that that was open to discussion, and desired to point out that it was desirable that those commissions should meet in a country bound to Russia by treaties, and possessing a Russian representative. The Russian delegation considered that Stockholm or Riga would be the most suitable place for the commissions to meet. It was, however, ready to consider the convenience of the other Powers, and would be equally willing to agree to London or Rome. The Russian delegation could not refrain from referring to the rumour that a secret document existed which had been adopted by the other members of the commission and not presented to the Russian delegation. Although that document was mentioned in the press, and although a certain interpretation was placed upon it, the Russian delegation could take no action in the matter. The Russian delegation proceeded on the assumption that all the Powers would retain the same liberty of action as regarded the establishment of their relations with Russia, as before the Genoa Conference. If it were recognised that in practice the other Powers were trying to curtail that liberty, Russia would be obliged to reconsider the question of her attitude as regarded her participation in the future commission.

The Russian delegation welcomed with satisfaction the proposal for a mutual pact of non-aggression, but was obliged to point out that such a pact could only be of real value and significance for the peace of Europe if it extended to all the Soviet republics and the Republic of the Far East. The Russian delegation declared that any aggression against a republic allied to Russia would be equivalent to aggression against Russia, and would involve her in war. The Russian delegation accordingly considered that it was understood that article 6 of the draft presented related to all the republics allied to Russia. In the name of those republics, he declared that they also would observe that pact. The Russian delegation would be glad if the Powers

<sup>5</sup> See No. 134.

<sup>6</sup> See No. 75, n. 1.

concerned would declare their acceptance of that interpretation. The Russian delegation also drew attention to the fact that, during recent years, acts of aggression had been committed against the Soviet republics, not only by regular armies, but also by bands formed under their protection and with their connivance. It therefore urged that paragraph 6 be extended by referring also to acts of aggression committed by armed bands.

The question of acts of aggression committed by such bands against Soviet Russia was of particular importance at that time, in view of the fact that the Russian Government was in possession of documents proving that preparations for aggression against the Soviet republics were at that very moment being made in the south-east of Europe by the former troops of Wrangel.<sup>7</sup> He had no desire to raise discussions and would not, therefore, read those documents. The Russian delegation was handing them to the secretariat of the conference, where everyone would have access to them.

In view of those facts, the Russian delegation pointed out that the pact of non-aggression should be supplemented by a series of measures directed against armed bands attacking the Soviet republics. In Finland the Skyddsker<sup>8</sup> and other similar organisations should be dissolved. In Poland the units of the frontier guard and the workers' battalions, composed of old soldiers of the White armies, should be dissolved and their members transported to districts of Poland further removed from the Soviet republics; their leaders should not be admitted to Polish territory. All the troops of Wrangel and Petlura<sup>9</sup> which were then preparing to invade the Ukraine should be removed from Roumania and Bessarabia. The troops of Wrangel which were then in Yugoslavia should be immediately disarmed and transported to more distant countries. The Russian delegation warned the conference that unless these measures were carried out, the pact of non-aggression was likely to remain illusory.

<sup>7</sup> See No. 1, n. 9. On May 30, M. P. Sabline (Russian Chargé d'Affaires in London since September, 1919, who had been charged with the liquidation of matters connected with the late Imperial Russian Government) sent to Mr. Gregory a copy of the following letter which he had received from M. de Giers (former Russian Ambassador at Rome): 'On the 18th of May the Paris socialist paper "Humanité" published four documents presented by M. Chicherin to the Genoa Conference as a proof of the Soviet's allegation that we are organising, with the assistance of certain Powers, a military campaign against the bolsheviks. The correspondence alluded to in these documents is ascribed to me and to General Miller.

'Apart from the fact that the activities attributed to General Miller and myself have no foundation whatever, the outward indications of these documents, such as for instance the dates of dispatch, betray their entirely apocryphal nature. Thus, the letters alleged to have been written by General Miller in his capacity of General Wrangel's Chief of Staff are furnished with dates on which he had not yet reached the Balkan States, being actually only on his way to Belgrade at the time. The letter which I am supposed to have written bears no signature and is described as being marked with the heading of the Russian Embassy in Paris, a style of stationery I never use.' On May 25, 1922, General L. de Miller had written to Mr. Lloyd George (N5416/646/38) denying the authenticity of the letters.

<sup>8</sup> An organisation of civic guards formed in February, 1919 from mainly right-wing elements.

<sup>9</sup> Former head of the Ukrainian Directory and Commander-in-Chief of Ukrainian forces (see Vol. XI, Nos. 270, 623, and 650).

The Russian delegation recalled that the protocol signed at Riga on the 30th March<sup>10</sup> by Russia, Esthonia, Latvia and Poland adopted the Russian proposal that zones of control should be established on both sides of the frontier; mixed commissions were to ensure that no armed bands were formed in those zones, and that the effective strength of the regular troops there did not exceed a determined figure. The approval of that system by the conference would be the best means of preventing any conflicts between the Soviet republics and their neighbours.

The Russian delegation had felt obliged to submit these observations on the proposal put forward by the other Powers on the sub-commission. It reserved the right to submit amendments on points of detail.

THE PRESIDENT, while reserving his reply to certain observations made by the Russian delegation, stated that he must say at once that, as president of the sub-commission, he did not consider himself authorised to receive the documents which M. Chicherin had just placed in his hands. In fact, the consideration of these documents was not, in his view, within the competence of the present conference; and consequently he regretted that he could not accept them.

M. BRATIANO expressed his wish that these documents should remain in the possession of the conference.

THE PRESIDENT said that he would raise no objection to the sub-commission taking cognisance of these documents, if, after the discussion, a decision was taken to that effect, but, for the moment, he maintained the position which he had adopted.

M. SKIRMUNT wished to reply to certain accusations of M. Chicherin. The treaty of peace concluded at Riga on the 18th March, 1921,<sup>11</sup> between Poland and Russia, contained, among other things, a pact of non-aggression, the provisions of which were more precise and more complete than those of the pact under discussion, inasmuch as the obligations arising from the Treaty of Riga were not limited to any period. Poland wished to live at peace with all her neighbours, and with Russia no less than with other States. He added that what M. Chicherin had just said compelled him to state categorically that Poland would not tolerate on her territory any armed formations or foreign organisations whatsoever, which might prepare acts of aggression against Russia or undertake such acts. He wished also to add that certain persons having relations with General Wrangel who had arrived at Warsaw in the previous spring, and had there entered upon certain secret intrigues against the Soviet régime in Russia, had been immediately removed from Poland without waiting for a request from any Government.

There were still some concentration camps in Poland in which the last of the elements which had belonged to the Russian anti-Bolshevik formations known as White troops, were interned. These men were subject to the strictest supervision, and it was absolutely impossible for them to prepare any action.

M. Chicherin had appealed to the Riga protocol, claiming that it involved

<sup>10</sup> See Slusser and Triska, *op. cit.*, pp. 30-1.

<sup>11</sup> See No. 82, n. 9.

certain engagements on the part of Poland. The speaker desired to explain that this document, which was merely a protocol closing the conversations which had taken place at Riga between the delegates of the Baltic States, Poland and Russia, at the time when the Russian delegation passed through Riga, contained only opinions which could not be in any way considered as engagements by the Polish Government.

Poland desired peace, but she was sovereign throughout her territory which was limited by the frontier definitively fixed by the Treaty of Riga. She alone, therefore, was competent to exercise supervision and control within her territory. She perfectly recognised that Russia had the same rights. He claimed that Poland had never laid herself open to approach in this manner. He was bound to point out, however, that it had been repeatedly proved that a state of insurrection and effervescence existed on the other side of the eastern frontier of Poland, and that had furnished occasions for accusations against Poland which were entirely unjustified. He repeated that Poland was determined not to tolerate on her territory the presence of military formations or foreign propagandists. He stated that he would adhere to the pact of non-aggression, subject to the following declaration:—

‘In the name of the Polish delegation I declare that, by the Treaty of Riga, signed on the 18th March, 1921, all territorial questions and questions of non-intervention (articles 2, 3, and 5) have been definitively settled together with other questions between Poland, Russia and the Ukraine, and that the obligations resulting therefrom for the contracting parties are not limited to any period;

‘But that nevertheless, Poland being unwilling to separate herself from the other Powers on the occasion of a collective act aiming at the consolidation of peace and the re-establishment of the mutual confidence necessary to the economic revival of Europe;

‘I shall give my adhesion to the said collective act of the Powers, it being understood that such adhesion shall not imply any modification of the obligations undertaken by the parties in the said Treaty of Riga.’

THE PRESIDENT asked M. Skirmunt to consider whether it would not be sufficient to insert this reservation in the minutes. He did not think that it was possible to accept the resolution subject to a reservation.

M. SKIRMUNT stated that by the reservation in question he was imposing greater obligations on Poland than would be imposed on her by the pact. He therefore desired that the reservations should be added as an annex to the pact which was to be signed.

THE PRESIDENT stated that he understood M. Skirmunt’s point of view. He would, nevertheless, prefer that there should be no exceptions to the principle which he had laid down.

M. BRATIANO said that he had heard with some surprise the declarations of M. Chicherin with regard to the assistance given by certain Powers to acts of hostility against Russia. His surprise was all the greater inasmuch as he

had had in his hands the documents which were quoted in the support of those statements. He begged leave to say that those proofs were insignificant, if not ridiculous. What was, in effect, the foundation of them? There was, in the first place, the gracious welcome extended by the Queen of Roumania to a Russian personage who had taken refuge in Roumania who had previously held a privileged position in several European Courts. In the second place, there were the declarations of a Russian refugee who had expressed the desire that the Roumanian army should furnish assistance to an action against Russia which he thought desirable. The hope of seeing such a desire realised was as ill-founded as the affirmation of that refugee that the Roumanian army was incapable of fighting. It was not on such documents as those that serious affirmations could be based, and he was convinced that it would not be necessary for him to prove their worthlessness in order to persuade the commission of the good intentions of his country. As regarded the position of Roumania in the matter of the refugees from Wrangel's army, he thought it would be sufficient for him to read to the commission a passage from a letter which he had recently addressed to Signor Facta on this subject:—

'I cannot refrain from referring to the statement that arrangements have been recently concluded between ex-General Wrangel and the representative of the Roumanian Government, with a view to preparing an offensive against the Republic of the Ukraine, and provoking terrible and devastating hostilities. This allegation is entirely devoid of foundation and in flagrant contradiction with the Roumanian policy, which aims at securing peace by all available means. In this spirit, Roumania has made it a rule of conduct to abstain from all interference with the internal affairs of other countries, and from all aggression against their frontiers. The Roumanian Government would be very glad to be able to declare that the same procedure was employed towards herself. From a sentiment of humanity, Roumania has never refused the right of asylum to those who have been driven by persecution to demand it.

'The Nihilists and other revolutionaries of former times enjoyed her hospitality no less than the refugees of to-day. If the number of these latter is out of all proportion to the former the Roumanian Government cannot be held responsible for this. The cause of it must be sought in the internal situation in Russia. To-day, as in former times, however, Roumanian hospitality imposes upon those who enjoy it the indispensable condition of abstaining from all activity and from all agitation. The Roumanian Government exercises all necessary vigilance for the purpose of securing the observance of this condition, and the refugees from Wrangel's army particularly are subject to a system of internment and supervision which deprives them of all possibility of action. It would be at least curious if the Russian delegation had in its possession irrefutable information in regard to a fact which does not exist.'

It was for this reason that he had asked the president to put on record the

documents submitted by M. Chicherin, because they constituted the best proof of the emptiness of the accusations made against Roumania.

As regarded the very considerable number of Russian refugees at present in Roumania and elsewhere, he thought he would be expressing the unanimous opinion of the countries entertaining them when he declared that those countries were all ready to renounce the painful obligations imposed upon them by extending hospitality to these refugees, provided other countries were prepared to receive them and supply them with the indispensable means of existence. Any plan which would make it possible to remove those unfortunate persons to other countries would be gladly welcomed by Roumania, which had no interest in keeping in her territory refugees whose maintenance was a heavy burden on her. It must, however, be understood that this removal could not take place without the consent of the persons concerned, for there could be no question of extradition, but of an operation intended to enable the refugees to lead a tolerable existence. In conclusion, he declared that there were no bands either authorised or tolerated on Roumanian territory. He could also give an assurance that no incursion would take place into Russian territory bordering on the Dniester, and he hoped that the same assurance could be given him by the Russian delegation as regarded Roumanian territory.

MR. LLOYD GEORGE said that he would like to say two or three things about what fell from M. Chicherin in his opening statement. He was not going to say anything further about the exclusion of the Germans; they had discussed that yesterday, and assigned their reasons, which he thought were fair and sound. It was perfectly true that the Germans would be excluded from discussing credits, but before they reached that point there was no doubt at all that the commissions would have to clear away the very difficult questions with regard to private property and debts. Moreover, they had to realise that Germany was not a country which at that time could furnish credits to anyone. Her contribution could not, at any rate, be a very substantial one. Whereas, on the other hand, if she were present she would be taking part in a discussion of subjects about which she herself had already come to an agreement with the Russian Government.<sup>12</sup> He himself did not think that would be fair. If an agreement were arrived at and recommendations made to Governments, it would of course be impossible to exclude Germany from co-operating in the reconstruction of Russia, and it would be folly to attempt to do so. It was desirable to get the co-operation of anyone who could make any contribution.

With regard to the place, M. Chicherin objected to The Hague. It was in fact very difficult to choose a place. M. Chicherin had suggested two capitals, Rome and London. To be quite frank he would point out that it was desirable that the discussion should take place within an atmosphere removed from any definite point of view. The Hague was a place which was internationalised by tradition, where great international questions had been discussed in the past, and which had the necessary international

<sup>12</sup> See No. 75, n. 1.

atmosphere. The same might not apply to Amsterdam, which had very definite views on the subject, but The Hague had no views and no right to views about anything, because it was an international centre. That was the advantage of The Hague. The place of meeting must necessarily be a point where the views of the majority must prevail. There was no question of principle involved; it was a question of the convenience of the majority of the people who went there. If nine-tenths of the people who went to a conference said: 'This is the place that suits us best,' he thought they were entitled to say so. There were certain points which a majority could not decide, such as questions of principle like those which had been under discussion, but in a question of convenience, he would suggest to the Russian delegation that the views of the majority must necessarily prevail. So much for the question of place.

Now he came to another observation made by M. Chicherin, which he could not allow to pass quite unchallenged. M. Chicherin had said that they had failed to come to an agreement at Genoa because they had discussed things separately. It was no use concealing facts from oneself, because facts had an unpleasant habit of coming up again after they had been buried. The real fact was that there had been such a divergence of opinion upon questions of vital principle that it had been found impossible to reconcile them. They had, therefore, had to try to approach the problem from a different point of view to see whether they could not reconcile those divergencies in practice, if they could not do so in principle. That was why they were relegating it to experts to explore the ground to begin with, to see if there were insuperable practical objections. There was no doubt at all that the two systems were quite irreconcilable, the system in Russia and that obtaining in other parts of the world. They were, however, coming nearer. After all there was a vast amount of private property in Russia.

Nominally the land was nationalised, but in reality it was a peasant proprietorship. It was no use trying to conceal that fact; no one could turn the peasants out of the land, whatever decrees were issued in Moscow. It would result in the end in the same system as followed the French Revolution, a system of peasant proprietorship. It was very dangerous to discuss history with M. Chicherin, and he hoped that M. Chicherin would follow his own example. The 1st May had something to do with it also. It was very unfortunate that they should have met on the 1st May,<sup>13</sup> because things had happened in Russia which gave an undue prominence to certain principles.<sup>14</sup> They had had their repercussion or reaction even as far as Rapallo, and they had had their influence upon the attitude of the Russian delegation, making it very much more difficult for them to come to terms. In their own hearts the Russian delegation knew perfectly well that whether they met in mixed commissions or mixed political committees, or in any

<sup>13</sup> See Nos. 104 and 105.

<sup>14</sup> The reference is presumably to the May Day celebrations in Moscow when Trotsky, in a speech to the Red Army, said that the Soviet representatives at Genoa had 'categorically refused to meet the demands of the bourgeois States' (see *The Times*, May 5, 1922, p. 9).

other way, they would be up against something which in principle was irreconcilable, and therefore the subject had to be approached in a different way. At Genoa the Russians had met in their separate commissions and they would do so at The Hague. Even if they decided to have a mixed commission meeting morn, noon and night, if they separated at midnight the Russians would meet together at half-past 12, and discuss matters until 10 the following morning. No one could prevent that. They all had the habit of discussion, and some had it more abnormally developed than others. He himself did not think, therefore, that there could be any objection to having two separate commissions. For that was what would really happen whether they called it a mixed commission or otherwise. The Russians would meet separately with their eight independent republics, and the other Powers would meet with their twenty-five nations, which he hoped were more independent. Until they grasped that in reality it was impossible to reconcile the principles, but that in practice they might be able to arrive at some accommodation between the two systems, they would never succeed.

The other point he wanted to make was the following. M. Chicherin had objected that certain Powers had given encouragement to bands of raiders in Russia. The British Government had certainly not done so. They had had nothing to do with Wrangel; when they encouraged intervention in Russia, they did it openly; they had proclaimed it in the House of Commons and asked the House of Commons to find the necessary money. There was no concealment about it at all; they had sent munitions to Russia quite openly; they had said that they would do no more and they had kept their word. They had had nothing to do with Wrangel's last expedition.<sup>15</sup> They had thought it was folly and he could therefore speak quite frankly about it. He did not intend to refer to the documents which the Russian delegation had handed in because Signor Schanzer had ruled them out of order. He would merely refer to the general observation made by M. Chicherin, fortified, of course, by the knowledge of what was inside those documents. So far as he could see, the suggestion was that there had been an organisation of Wrangel's forces with a view to attacking Russia. From what he knew of Wrangel's forces, they were a much greater danger to the countries where they then were than to Russia. He had never heard of a country which had got Wrangel's forces which would not be very glad to present them lock, stock and barrel to any other country that was prepared to receive them.

The countries referred to by M. Chicherin were not countries that had any agreement with Russia, and therefore for the moment those countries were not bound to oppose attempts to give trouble in Russia. The moment the document before them was accepted, these countries would be bound. They would be bound afterwards not to encourage any raids in Russia, not to organise any attacks on Russia, just as Russia was bound not to organise any attacks on them. Any country which, after accepting that pact of non-aggression, organised, equipped or stimulated attacks upon Russia during

<sup>15</sup> For the collapse of General Wrangel's army in the Crimea in November, 1920, see Vol. XII, No. 806, and Vol. XIII, Nos. 174 and 181.



the period of the pact, would be guilty of a breach of an international pact and guilty of a breach of an honourable understanding. For the moment they were not bound, but they would be bound as soon as they accepted the pact. That was the difference, and for that reason he himself was in favour of a pact of non-aggression because he did not want to see Russia attacking other countries, nor did he want to see other countries attacking Russia. No good could come of it; it kept Europe in a sort of tumult and excited nationalist feeling on both sides; Russia would not calm down and the others would not be able to come to any European understanding with a view to the reconstruction of that battered and shattered old continent. For that reason he was strongly in favour of the pact. Nothing amused him more at conferences than to hear the descriptions given by representatives of the harmless nature of their own countries and the mischievousness of every other country. There was M. Chicherin describing Russia: innocent, harmless, patient, tolerant, attacking nobody, giving no offence or trouble to any country in the world, and only seeking to lead a quiet life—in fact, a model of all the Christian virtues. On the other hand, there was M. Bratiano and M. Skirmunt describing their countries. They only wanted to lead a quiet life. He was really quite accustomed to that kind of thing. On the whole he was hopeful that, after they had concluded that truce, they would really attend to their own business of their own countries. Speaking after sixteen years in office—and he had been a Minister longer, he thought, than anyone else present—he had come to the conclusion that it was more than one could do to mind one's own business. To look after the affairs of their own country was more than any Minister or body of Ministers could do. Therefore to attack or attempt to reform other countries or to organise missionary expeditions, whether under the command of Wrangel or anyone else, to convert the heathens in Russia, or for M. Chicherin or M. Litvinof to organise a band of missionaries to convert the cannibals in Western Europe, would result in a great deal of trouble. They had each as much trouble in their countries as they could manage, and if they looked after their own countries and left other countries to look after their affairs, they would get on much better. If they would help one another in the direction where it was possible, it would be to their mutual advantage. That was what he meant by a pact of non-aggression, and he hoped that, after they had signed it, they would abide by it faithfully.

THE PRESIDENT said that, after the very eloquent and conclusive speech of Mr. Lloyd George, he thought it was unnecessary to make long statements on the question raised by M. Chicherin. He himself did not think it was necessary that the text of article 6 should contain an explicit reference to the activities of armed bands. It would be sufficient to put the declarations made in this connection on record in the minutes. It was obvious that these declarations would indicate clearly that even if the word 'bands' were not inserted in the text of article 6, that article referred implicitly to any act of aggression, including acts of aggression carried out by bands. Accordingly, he would ask M. Chicherin to be satisfied with the procedure proposed.

With regard to the choice of a place where the commission was to meet, he made a last and pressing appeal to M. Chicherin to agree to The Hague. There would then be no further obstacle in the way of an agreement, and the unanimous desire of the countries represented at the Genoa Conference would then be satisfied.

M. CHICHERIN said he hoped the president would alter his views when he had heard the text of the amendments proposed by the Russian delegation, with which he was not yet acquainted. In the first place, the Russian delegation thought that the word 'debts' was not comprehensive enough, and suggested that the word 'claims' should be added in order to define and extend the scope of the article. The second amendment relating to article 6 was more important. The Russian delegation thought it necessary that the article should be adopted in order to avoid the complications which would not fail to arise. Article 6 declared that the agreement against propaganda would bind the Governments 'to abstain from interfering in any way in the internal affairs of other States, from supporting by financial or other means political organisations at work in other countries, and also to suppress in their territory attempts to foment acts of violence in other States . . . '.

He would like to point out that the word 'foment' was very comprehensive. It would make it possible to include not merely any kind of political activity, but even activities of a purely literary character. Moderate Socialists, such as M. Albert Thomas,<sup>16</sup> M. Bissolati<sup>17</sup> and even M. Bonomi, who had convened the Genoa Conference,<sup>18</sup> had often adopted resolutions which admitted the use of violence in certain cases, and thus would have come within the scope of article 6. A historian or an orator who defended the French Revolution would infringe the provisions of the article even more. The French Government, which celebrates the events of the 14th July, 1789, might incur the reproach of fomenting acts of violence in other States; in fact, under the Tsarist Government, the festival of the 14th July did foment in Russia the desire to provoke similar acts. Accordingly, he proposed to replace the word 'foment' by the word 'prepare'. The word 'prepare' represented very accurately the kind of acts which the authors of the resolution had in view. It would apply, for example, to nationals of States which were neighbours of Russia, who entered Russian territory armed with bombs and poison, for they would be 'preparing' acts of violence, and the resolution would legitimately apply to them, according to the intention of its authors. In short, the maintenance of the word 'foment' would enable certain countries to provoke fresh complications which would render the pact absolutely illusory. He therefore begged to press very strongly for the adoption of the amendment which he proposed on that point.

With regard to the choice of the town where the commissions were to

<sup>16</sup> See No. 29, n. 15.

<sup>17</sup> Leonida Bissolati (1857-1920), leader of the Reformist group of the Italian Socialist party (*Riformisti*), member of the Boselli Government (1916-17), and of the Orlando Government (1917-19) from which he resigned in December, 1918.

<sup>18</sup> See No. 29, n. 5.

meet, he wished to draw the attention of the commission to the fact that, though the majority of the countries which were to meet at The Hague were non-Russian, they would none the less be dealing with the Russian question. It was absolutely essential that the commission should meet in a town from which communication with Russia was convenient and practical. It would, in fact, be necessary for the Russian delegates to be able to communicate easily with their Government, to which they would no doubt have to apply very often. In this respect, Holland was very inconvenient.

The fourth amendment proposed by the Russian delegation was that in the first paragraph of article 6, where there was a reference to acts of aggression, the following words should be inserted: 'committed, not only by regular troops, but also by irregular bands'. That corresponded exactly to the views expressed by the president; it was necessary, in order to define clearly the obligations incumbent upon both parties. The Russian delegation, in raising that point, was actuated less by a desire to allude to past events than by a desire to look to the future; that was why he thought that the Roumanian and the Polish delegations would find in the documents which had been submitted to them proofs that a situation which was a cause of uneasiness to the Russian Government existed in their countries. When the Russian delegation explained its views concerning the question of debts, it was constantly referred to the past, though it had expressed its desire to think more particularly of the future. Now that in this question of the bands it was speaking of the past, it was invited to forget the past and think only of the future. The Russian delegation was not losing sight of the future even in this matter. It was precisely for that reason that it had produced certain documents in order to show on what its fears were founded. Last year, when the incursions of the bands of the Ataman Tutink, coming from Poland, and those of the Ataman Cho[tn]ick, coming from Roumania, took place, the Russian authorities had seized the records of these bands, and had been able to ascertain clearly their organisation. They had thus obtained evidence that all these Petlurian troops were in close relations with the local authorities. These events took place six months ago, but the documents in the hands of the Russian Government had proved absolutely that the same organisations still existed, and that the danger of attacks from them had not disappeared. It was for this reason that the Russian delegation thought it necessary, if the pact of non-aggression was to be of real value, to insert in it a provision prohibiting not only attacks carried out by regular troops, but also those carried out by irregular bands.

Moreover, it was just because the protocol of Riga relating to the creation of zones of control on the Russo-Polish frontier was, as M. Skirmunt had said, not obligatory, that it was desirable to insert in the pact of non-aggression a clear provision on this subject. All the amendments proposed by the Russian delegation, therefore, had no other object than that of making the pact of non-aggression clearer and more effective. The Russian delegation thought it indispensable that the sub-commission should take this into account. Moreover, these amendments were not in the least inconsistent

with the statements of principle made by the chiefs of the Polish and Roumanian delegations. Their result would be to strengthen the position of those who really desired to re-establish peace and tranquillity in Eastern Europe. Mr. Lloyd George had alluded to the controversies which had taken place between different Governments as to which of them was responsible for the spirit of aggression which each attributed to its adversary. If, however, a State asked clearly that certain measures which were evidently necessary for consolidating peace should be taken, and these measures were rejected by another State, it was easy to see with whom rested the responsibility for maintaining a warlike spirit. For this reason, therefore, he again asked the sub-commission to adopt the amendments which he had just proposed.

In reply to a question of Mr. Lloyd George, M. SKIRMUNT explained that, while the Treaty of Peace of Riga, signed on the 18th March, 1921,<sup>11</sup> constituted a formal and definitive engagement by the contracting parties, the protocol closing the meeting of the delegates of Poland, Latvia, Esthonia and Russia, held at Riga, on the 30th March, 1922,<sup>10</sup> simply summed up in the usual way exchanges of views and negotiations which had taken place at that time, and could not therefore be considered as an engagement by Poland. He added that M. Chicherin had referred to the Riga protocol as regards the creation of neutral zones along the Western frontier of Russia, zones which would be subject to the control of mixed commissions. Poland was resolved to maintain peace in accordance with the engagements undertaken by the Treaty of Riga, but she could not accept the proposal for the establishment of neutral zones and for a mixed control, as this would be an interference with her sovereignty. She was resolved, as in the past, to prevent any aggression against Russia being fomented on her territory, but she intended to exercise control herself over everything that took place on her territory, and she assumed full responsibility for such control. Poland, therefore, recognised her obligations and engagements to Russia, and expected that the latter would observe the same attitude.

MR. LLOYD GEORGE said that he was sorry to prolong this discussion, but what really mattered was whether Poland regarded itself as bound, whether by the Treaty of Riga or otherwise, not to organise or to encourage the organisation in their own territory of attacks upon either Ukrainian or other territories.

M. SKIRMUNT said that the position of Poland would best be made clear by reading article 5 of the Peace Treaty of Riga:—

‘Both contracting parties mutually undertake that each of them will fully respect the political sovereignty of the other party and will not interfere in its internal affairs, and particularly will abstain from all acts of aggression or propaganda and from every kind of intervention and from extending its protection to any such acts of intervention.

‘Each of the contracting parties undertakes not to create or protect any organisations having for their object armed conflicts against the other contracting party, or seeking to prejudice its territorial integrity or pre-

paring to abolish by force the political or social system of such other party, or any organisations claiming to act as a Government of the other party or of any part of its territory. The said parties accordingly undertake to prohibit the presence in their respective territories of such organisations, or their official representatives or other organs, to prohibit military enrolment and the introduction into their territory and the transport over the same of armed forces, arms, munitions and war material of every kind intended for such organisations.'

The undertakings as to non-aggression resulting from this treaty, both for Poland and for Russia, therefore, went further than the proposed pact, and unlike the latter, the Treaty of Riga did not fix any term for the duration of the obligation.

The declaration presented by the Polish delegation therefore defined the condition subject to which that delegation would adhere to the pact of non-aggression. The Polish delegation assumed that the representative[s] of the Soviets, on their side, were in agreement with them, and admitted that Poland and Russia were more strictly bound by the Treaty of Riga than by the pact of non-aggression, which could not in any way modify the reciprocal position created by the treaty.

VISCOUNT ISHII, referring to the appeal made by the president to M. Chicherin to be satisfied with the recording of his explanation in the minutes, wished to make clear the position of the Japanese Government, on M. Chicherin's demand that the pact of non-aggression should apply to the Far Eastern Republic. He did not know how that could be possible, in view of the fact that the Republic of Chita was not invited, and was not in fact represented there. Not being bound by the agreement by which all others were bound, they could attack their neighbours and indulge in their subversive propaganda. Elementary prudence forbade the Japanese delegation to accept this proposal. The Japanese Government declared at the conference at Washington<sup>19</sup> their attitude of non-aggression in all parts of Asia, and he had said yesterday that the Russian delegation might rest assured that there would be no aggression on the part of the Japanese troops in Siberia unless they were attacked by the Government of the Republic, so that he thought the proposal of M. Chicherin was fulfilled by the substance of his declaration, which he was quite willing to repeat. He did not see that there was any necessity for the Russian delegation to insist on this point.

THE PRESIDENT thought that the divergence which appeared to exist between the Japanese and Russian points of view was only apparent. In fact, the Russian republics declared through M. Chicherin that they on their part were prepared to respect the pact of non-aggression. The Japanese delegation, on its part, declared that Japan undertook not to attack the Far Eastern Republic unless it was attacked by the latter. Putting on one side the legal question, there was an engagement of non-aggression no less as regarded the Far East than as regarded the other territories of the former

<sup>19</sup> See No. 89, n. 9.

Russian Empire. It would be sufficient for the commission to register this engagement by putting on record the declarations of both parties which were mutually complementary and corroborative.

VISCOUNT ISHII said that the form as proposed by the Russian delegation was impossible of acceptance. The non-aggression pact could not be made applicable to the territory of a country which was not represented there. That was his point. He had no opposition in substance.

THE PRESIDENT thanked Viscount Ishii for the spirit of conciliation which he had shown, and took note of his declarations.

MR. LLOYD GEORGE said that this was really rather important. Great Britain also had interests in the East, and in the Far East, and he certainly did not want to exclude the idea that the pact bound Russia not to carry on any acts of aggression or any acts of propaganda in the East. He, personally, speaking on behalf of his Government, could not possibly accept the point of view that Russia was only bound to acts of non-aggression in Europe and not to have any propaganda in Europe, but that she was free to do what she liked in Asia. If that was the agreement, he simply could not sign it. His view was that the pact was just as binding in Asia as in Europe, and that there would be no attack either by propaganda or by arms on any country in which they were interested in the East. He wanted to bind Russia by everything that he possibly could—*procès-verbaux*, minutes, resolutions, pact, everything that he possibly could—not to give trouble in the East, and he would like to make it quite clear that so far as Great Britain was concerned, it was an undertaking that they would not attack Russia by encouraging bands, or by acts of violence, or in any other way, but that, on the other hand, Russia would not attack any of the countries in which they were interested, whether in Asia, Europe, Africa or America, or even Australia.

THE PRESIDENT thought it was indispensable, in view of the importance of this point, to make it quite clear.

M. CHICHERIN stated that the agreement aimed at making the pact of non-aggression a guarantee for all the frontiers of Russia, the Soviet Republics and the Far Eastern Republics. It was clear that these republics on their side undertook not to attack any of their neighbours, including Japan. He accordingly asked that no assistance should be given to the fallen Governments of Georgia, Armenia and Azerbaijan, and that no attack by these Governments should be supported by the signatories of the pact against the Soviet Governments of Georgia, Armenia or Azerbaijan. Finally, to meet the desire of Mr. Lloyd George, but without insisting on it, M. Chicherin proposed to make the meaning of article 6 clear by adding to the words 'the Russian Soviet Government' the words 'the other Soviet Republics and the Far Eastern Republic'.

If the Russian delegation had not already made this proposal, it was because it believed that its previous declarations sufficiently bound all the Governments allied to Russia. As, however, Mr. Lloyd George appeared to wish to define and extend as far as possible the engagement contracted by Russia, M. Chicherin had not the least objection to such a definition.

MR. LLOYD GEORGE said that there was just one question which he wished to put to M. Chicherin. He assumed that this included not merely acts of aggression in the ordinary sense of the term, but propaganda, whether in Asia or in Europe, in territories outside the Soviet jurisdiction.

THE PRESIDENT said that there could be no doubt on this point.

M. CHICHERIN wished to point out that there was already a treaty between Russia and Great Britain prohibiting all propaganda on the part of Russia in British territory, whether in Europe or in Asia.<sup>20</sup> The engagement then undertaken by the Soviet Government had been strictly respected, and all the accusations made against Russia on this point rested on forged documents.

As it was getting late, the president adjourned the meeting until 4.30 in the afternoon.

The meeting was adjourned at 1.20 P.M.

<sup>20</sup> See No. 31, n. 1.

### No. 137

P.C.S. 14] *Fifth Meeting of the Sub-Commission of the First Commission held on May 17, 1922, at 4.30 p.m.*

PRESENT: *President:* Signor Schanzer.

*British Empire:* The Rt. Hon. D. Lloyd George, O.M., M.P.

*Italy:* Signor Schanzer.

*Japan:* Baron Hayashi and Viscount Ishii.

*Poland:* M. Skirmunt.

*Roumania:* M. Bratiano.

*Russia:* M. Chicherin.

*Sweden:* M. Uden.

*Switzerland:* M. Motta.

The meeting opened at 4.30 P.M.

THE PRESIDENT, in opening the meeting, said that he would now call in turn upon the speakers who had given in their names in the morning, M. Bratiano and M. Motta.

M. BRATIANO, with reference to the declarations made by Mr. Lloyd George at the previous meeting,<sup>1</sup> recalled that Roumania had declined the invitation made to it in 1919 to intervene in Russia with the other Powers. That fact was an undeniable proof of the pacific spirit of that country towards Russia. The facts on which M. Chicherin based his accusations against Roumania were so insignificant that it was unnecessary even to discuss them; for example, the warm welcome accorded by the Queen of Roumania to a Russian refugee; it was impossible to look upon the courtesy of a sovereign in the light of a political act.

With regard to the alleged raids of the Ataman Chotnick (of whom, as a matter of fact, he had never heard), he was convinced that the Russian

<sup>1</sup> See No. 136.

Government was very ill-informed. If the Russian police, which was so much praised, supplied its Government only with information of that kind, he was inclined to believe that its reputation was very much overrated. In Roumania, there were no organised bands, and the Roumanian delegation was prepared to give an assurance that it interpreted the engagement contained in article 6 as an obligation not merely to refrain from attacking Russia with her regular troops, but also to oppose any act of aggression which armed bands organised in her territory might attempt. He hoped that his interpretation of article 6 would be the interpretation placed upon it by the Government of territories beyond the Roumanian frontiers. For this reason, he would prefer the word 'foment' to the word 'prepare'. 'Foment' was a more comprehensive word, and easier to understand; it was applicable, not only to the recruiting and material organisation of bands, but also to such things as the training of special staff for the manufacture of bombs and the like. The Roumanian delegation considered that the pact of non-aggression must prohibit such proceedings.

M. MOTTA said that he desired to express his views on the amendments proposed by the Russian delegation. He thought that the insertion of the word 'claims' after the word 'debts' was unnecessary, for the latter was very comprehensive and was applicable to the claims to which M. Chicherin had referred. With regard to the choice of the town where the commissions were to meet, he himself had no *a priori* preference for any particular place; but he thought that, since the choice had fallen upon The Hague, it was impossible to alter such a decision. The majority of the Powers had expressed the desire that the commissions should meet at The Hague; the Russian delegation should give in to the wishes of the majority, and he would beg that delegation to withdraw its opposition. With regard to the pact of non-aggression, he thought that the assurances given at the previous meeting should satisfy the Russian delegation. The various countries concerned had pledged themselves to interpret the pact as applying, not merely to the activities of regular troops, but also to the organisation and operations of irregular bands. The declarations made on this point had been put on record in the minutes, and he thought that these declarations ought to give the Russian delegation full satisfaction. With regard to the choice between the words 'prepare' and 'foment', he recognised the justice of the observations made by M. Chicherin, and, as a lawyer, he would have preferred the first term to the second. But the discussion showed that it was desired to place the two terms in opposition, and to prohibit merely the 'preparation' of acts of violence, but not the 'fomentation'. The danger there would be of allowing it to be supposed that such was the intention of the authors was so great that he himself thought it necessary to reject the amendment proposed by the Russian delegation and to keep the original text.

He was, however, ready to make a proposal which he hoped would meet with the approval of M. Chicherin, and would perhaps enable the latter to withdraw his amendments concerning the action of irregular bands and concerning the expression 'foment'. Examination of article 6 showed that



it contained certain contradictory provisions which it was necessary to eliminate. The object of the pact of non-aggression was to enable the commissions to work in peace and tranquillity. It must therefore last for the same period as the work of the commissions. On the other hand, it was stipulated that the engagement should remain in force until the disputes still outstanding with regard to certain European frontiers were settled, i.e., during a period still to be determined. It was obvious that such an alternative was inadmissible in a text such as that which was under consideration. He thought that the rational solution would be to fix a period during which all acts of aggression would be prohibited, and at the termination of which everyone would resume freedom of action if the negotiations begun had not previously come to a conclusion. Accordingly, he proposed the following amendment:—

‘The pact of non-aggression and abstention from propaganda shall continue as long as the negotiations continue, in any case for at least a year.’

He hoped that all the delegations would support his proposal, which was entirely in accordance with the spirit of the pact and that it would enable the Russian delegation to withdraw all its amendments.

THE PRESIDENT summed up the discussion and drew the attention of the Russian delegation to the various points on which divergencies had occurred. With regard to the amendment proposed to article 3, he concurred in the views expressed by M. Motta. The article was quite clear, the more so as in defining the terms of reference of the commissions it referred to negotiations which had taken place at Genoa and used the same terminology as had been customary during the Genoa Conference. It was accordingly unnecessary to define more closely the word ‘debts’, which, in the ordinary acceptation of the term, included the claims to which M. Chicherin had referred. He would therefore ask the Russian delegation not to press that amendment.

He agreed with M. Motta that there was no need to alter the text of article 6. He thought that the anxiety of M. Chicherin with regard to the use of the word ‘foment’ was not quite justified. That term, in point of fact, did not relate to purely literary or political activities, but to an activity which tended to pass from the intellectual domain to the domain of facts. To ‘foment’ a revolutionary movement was to incite to that movement; and that was a very strong expression. He thought that the objections of the Russian delegation were unjustified, and it seemed to him necessary to keep to that expression in the text. With regard to the suggestion that the following words should be inserted after ‘aggressions’: ‘committed not only by regular troops, but also by irregular bands’, he would like to point out that everybody considered that the interpretation proposed by the Russian delegation was correct, and consequently that the pact of non-aggression must apply, not only to regular troops, but also to irregular bands. The amendment proposed by the Russian delegation was accordingly superfluous. He fully agreed with the observations made by M. Motta with regard to the place where the commissions were to meet, and he hoped that the Russian delegation would

prove its conciliatory spirit by accepting the place chosen by everyone because of its central position in Europe. He would like to add that there was reason to believe that the Netherlands Government was prepared to offer its hospitality to the commissions. With regard to the control zones, he asked the Russian delegation not to press their suggestion, because that question was not within the competence of the commission, and, besides, it would be very difficult to arrive at an agreement on that subject.

He did not, however, entirely agree with M. Motta's proposal, though he agreed with him that it was impossible to make the duration of the pact of non-aggression depend upon an alternative. He did not think, however, that a definite period should be fixed. The pact would not fail to make an excellent impression throughout the world, and that impression would be very much less if the engagement were binding only for a definite period. The idea would spread that when the pact expired, all countries would be free to begin fresh hostilities. He would therefore suggest that the words 'or for a certain period to be determined' at the end of paragraph 6 should merely be deleted. He asked M. Chicherin and M. Motta to give their views on the observations which he had just made with regard to their respective proposals.

He then proceeded to discuss the amendment to the first paragraph of article 6, proposed by Mr. Lloyd George. He recalled that the British Premier had declared that he was anxious that the pact of non-aggression should include the Soviet Governments, which were the allies of Russia. He himself did not think that the Russian delegation would have any difficulty in accepting the amendment proposed by Mr. Lloyd George. It would, of course, be clearly understood that the addition did not involve the recognition of those Governments. Legal recognition must be considered as quite independent of that provision.

M. CHICHERIN said that since the word 'debts', according to the explanation given by M. Motta, was to be taken in its widest sense, he would not press his proposal that the word 'claims' should be inserted in the article.

With regard to the question of irregular bands, the statements made by the president of the sub-commission were explicit, and gave every satisfaction to the Russian delegation. The latter, however, would like it to be clearly understood that the Roumanian and the Polish Governments pledged themselves to prevent all activities on the part of such bands. That was all the more important as the representatives of Poland and Roumania had confined themselves to denying the existence of bands, instead of pledging themselves to prohibit intrigues on the part of such bands. M. Bratiano had declared that he had never heard of the Ataman Chotnick. Since August 1920 the Russian Government had on several occasions sent notes to the Roumanian Government giving it the fullest possible details concerning the bands of the Ataman. He was very much astonished that neither General Averescu<sup>2</sup> nor M. Take Jonescu<sup>3</sup> had informed their successors of facts of so great importance for Roumanian politics. It appeared to him absolutely

<sup>2</sup> Former Roumanian Army Commander and Prime Minister.

<sup>3</sup> See No. 29, n. 7.

necessary that the Roumanian Government and the Polish Government should be responsible explicitly within their respective territories both for the existence and movements of irregular bands.

With regard to the word 'foment', he would like to point out that, according to the explanations given by M. Motta, the word was to be taken in a narrow sense, and was equivalent to the expression 'prepare'. If this was so, he had nothing more to say, and withdrew his amendment on this point. However, he thought it necessary to refer to the statement made by M. Bratiano, according to which the word was to be understood in a very wide sense, and would prevent acts such as the manufacture of bombs and the like. In order to put M. Bratiano's mind at rest, he would like to say that no such things were manufactured in the territory of any Soviet republic; the Communist Party did not deal with things of that kind, and all accusations to the effect that it had engaged in propaganda of this kind against certain foreign Governments were quite without foundation. It was not the Communist Party which had organised the attacks carried out by means of bombs in Transylvania in 1913.

It would be much more difficult for the Russian delegation to agree to The Hague as the meeting-place of the commissions. The Russian Republic had been in existence for four years. A large number of Governments had already established with her either *de facto* or *de jure* relations. The Russian delegation was compelled to look upon it as a sign of obvious hostility on the part of the Government of the Netherlands that that Government had not yet established any kind of relations with the Soviet Government. Under these conditions, it was impossible for the Russian delegation to agree that the commission should meet at The Hague. The opposition of the Russian delegation was all the more deserving of consideration as one of the two commissions which were to meet at The Hague was a purely Russian commission.

With regard to the control zones on the Russo-Polish frontier, he regretted that the sub-commission refused to look upon the matter from his point of view and decide that these zones should be created. The creation of such zones would undoubtedly have very excellent effects on relations between Poland and Russia.

There remained the two proposals concerning the duration of the pact of non-aggression. M. Motta proposed that a year should be fixed as the minimum duration; the president of the sub-commission proposed that the text of paragraph 2 of article 6 should be retained, with the omission of the last words, 'for a period to be determined'. The same objection arose in connection with both these proposals, namely, that they postponed the settlement of the frontier questions indefinitely, a question which ought to be settled as soon as possible. The Russian delegation had welcomed with enthusiasm the proposal which had been made to it to conclude a pact of non-aggression; its only desire was that such a pact should be permanent, but it would at the same time like pressure to be brought to bear upon the countries concerned in order that outstanding territorial disputes might be settled as soon as possible. Those differences affected only Russia and her

neighbours; however, it would be an excellent thing if a definite time were fixed for the settlement of those disputes in order that the Governments concerned should not continually evade a settlement, and thus maintain a state of disturbance in Eastern Europe. The Russian delegation therefore proposed that a period of two months from the closing of the work of the commissions should be fixed; frontier questions would have to be definitely settled before that period expired. Accordingly, a total period of six months would be allowed for fixing frontiers; if territorial disputes were not then settled, the pact of non-aggression would obviously cease to operate, and everyone would regain freedom of action.

If the pact of non-aggression was based on the principle of respect for the territorial *status quo*, that was not to be considered as equivalent to recognition of the *status quo*. That was, now as before, the point of view of the Russian Government in that connection. Respect for the *status quo* between the Ukraine and Roumania, for example, did not in any way imply, for Russia, recognition of the present territorial *status quo* of Roumania, and particularly recognition of the present occupation of Bessarabia by Roumania. Finally, he asked that the word 'Soviet' should be omitted from the text of Mr. Lloyd George's amendment, and that it should merely refer to the allied republics; as a matter of fact, all the republics which were allied to Russia were not Soviet republics, and the word would have to be omitted if it was intended that the pact should apply to all the republics which were allied to Russia.

M. MOTTA said that he had pleasure in noting that the sub-commission had reached an agreement concerning the question of bands, concerning the interpretation of the word 'foment', and concerning the definition of the programme of the meeting of The Hague. The only points on which agreement had not been reached were the choice of the place where the commissions were to meet and the duration of the pact of non-aggression and abstinence from propaganda.

He would like to make another and very urgent appeal to the Russian delegation to withdraw its opposition to the choice of The Hague. All the countries had declared in favour of The Hague, and it was difficult, if not impossible, to ask them to change. It was all the more difficult as the Government of the Netherlands appeared to be disposed to offer full hospitality to the commissions. Under these conditions, he did not think that M. Chicherin was justified in persisting in his opposition, and he asked him to withdraw it and to fall in with the views of the majority.

With regard to fixing the duration of the pact of non-aggression, he had not quite understood. His proposal had not been made with the object of fixing in the pact a period, the termination of which would be in a way an opportunity for resuming general hostilities. He protested very strongly against that interpretation. There was no need to emphasise the essentially pacific character of a Swiss policy; contrary to the allegations contained in the Russian memorandum, Switzerland had not participated in any way in the blockade of Russia in the war any more than in the blockade of any other State. His own intention was that the negotiations at The Hague should be

completed by the establishment of a definitive peace on the basis of the regulation of all outstanding frontier questions. However, since it was a question of a provisional engagement, concluded in connection with the negotiations on the Russian problem, the duration of that engagement should be related to the duration of the negotiations. On the contrary, the idea of maintaining the pact in force until frontier questions had been regulated did not seem to him logical, since the fixing of frontiers was not the object of negotiations at The Hague. Finally, in order to avoid all ambiguity, it would be desirable to specify which European frontiers were contemplated in paragraph 2 of article 6.

He was prepared to accept any formula of conciliation, on condition, however, that it be stipulated that the duration of the pact should be in proportion to the negotiations at The Hague. He hoped that Signor Schanzer would see his way to supporting such a proposal, but, if that seemed to him impossible, he himself was prepared to accept the proposal already made by Signor Schanzer.

M. SKIRMUNT said he could not but reply to the direct interpolation addressed to him by M. Chicherin. The Polish Government declared that there were no bands or similar organisations within its territory, and, further, that it considered that there must not be any; it was doing, and would do, everything in its power to prevent the existence of such bands, on condition, however, that similar steps were taken on the other side of the frontier. In the past this had not been the case; the proof of that statement would be found in the activities of the organisation called 'Zakerdot', the object of which was to foment disturbances and revolutionary movements outside Russia.

M. CHICHERIN at this point said that the organisation [in] question had ceased to exist.

M. SKIRMUNT said he was very glad to hear that, but he would like to point out that M. Chicherin's rhetoric sometimes left his hearers with an inaccurate impression of the facts. As a matter of fact, what were the apprehensions of Europe at the moment? Did Europe think that Poland and Roumania were preparing to attack Russia? The reply to the question as to the quarter from which aggression was feared was quite certain as far as Poland was concerned. It reminded one of the fable of the wolf and the lamb, and with that reference he would conclude his statement.

MR. LLOYD GEORGE said he did not propose to continue the discussion as to the activities of the Soviet Government, and he was certainly not going to express any opinion as to which was the wolf and which was the lamb. He would like, however, to propose two amendments which, he thought, ought to meet the points of view expressed by M. Chicherin and M. Motta. The first related to the duration of the pact of non-aggression. He agreed with M. Motta in thinking that the words of the pact were vague, indefinite and capable of two or three interpretations. That was very undesirable in a draft upon which the peace of Europe might depend. He thought it therefore essential that they should make quite clear what was intended. He agreed

with M. Chicherin that they ought to know definitely when the pact was coming to an end, and that everyone should know it and should conduct the negotiations bearing that in mind. He would therefore propose leaving out all the words after 'force' ('vigueur' in the French text) and then adding 'for a period of four months from the closing of the work of the commission'. If the commission succeeded, that would give the Governments time to work on the recommendations and enter into the necessary negotiations with the Russian Government to settle the frontiers definitely. On the other hand, if the commissions failed, it would give them time to look round and see if something could not be done to save Europe from the disaster of such a failure.

There was one other suggestion which he would like to make. He did not altogether agree with M. Motta on the word 'foment'. On the whole, he did not think 'foment' really covered the ground completely; he would prefer to have 'foment or prepare', so as to cover both. They were quite different operations, as M. Chicherin knew very well. Recently they had been suffering more from fomentations than preparations. He did not want to enter into a discussion with M. Chicherin as to whether the Soviet Government had given up its propagandist activities altogether. He could supply M. Chicherin with certain facts in that respect which were very disturbing, but that was not the place to enter into such discussions, and therefore he had avoided them. He thought that on both sides they ought to stop not only fomenting activities, but also preparing activities, and therefore he would like to have both words in. On the whole, he rather agreed with some of the criticisms which M. Chicherin had made in that respect.

M. MOTTA said that he agreed with Mr. Lloyd George's proposal.

M. BRATIANO said that the limit fixed for the duration of the pact of non-aggression was a matter of indifference to Roumania, for she was firmly resolved not to attack any of her neighbours. However, he did not forget the declarations made by the Russian delegation, and he drew the necessary conclusions. He repeated once again the definite statement that the Roumanian Government would not tolerate the presence of bands in its territory nor armed raids into Ukrainian territory; the Roumanian Government was determined to have this decision carried out, and it was in a position to do so.

THE PRESIDENT, summing up the discussion, said that two amendments proposed by Mr. Lloyd George were before the sub-commission. The first related to the duration of the pact of non-aggression, and proposed that paragraph 2 of article 6 should be worded as follows: 'The pact to refrain from acts of aggression will be founded on the observance of the existing *status quo*, and will remain in force for a period of four months from the closing of the work of the commissions'. He himself would have preferred a wording which did not fix the period exactly, but, since Mr. Lloyd George had supported that point of view, and since the explanations given showed that the object of Mr. Lloyd George's proposal was merely to promote the restoration of peace, he would support it. He hoped that the proposal would be accepted by the other delegations, including the Russian delegation.

The second amendment was that to the word 'foment' should be added the words 'or prepare'. He did not think that the Russian delegation could object to that amendment which appeared to meet the desires they had themselves expressed.

M. CHICHERIN said that on the contrary, he was opposed to the adoption of the second amendment. The addition of the words 'or prepare' would result in extending the scope of the question, and he had already pointed out the objections there were for doing so. It was impossible for the Russian delegation to assume vague obligations which would enable certain Governments to direct against the Soviet Government accusations similar to those which had already been made against it. Such a measure would be extremely dangerous, and might lead to incessant complications. The Russian delegation was firmly resolved to keep its engagements, and for that reason did not want to contract obligations of so elastic a nature which it never would be sure of having fulfilled. The Russian delegation, however, accepted Mr. Lloyd George's first amendment, fixing the limit of the duration of the pact of non-aggression at four months from the completion of the work of the commissions at The Hague.

MR. LLOYD GEORGE said that the word 'prepare' had been suggested by M. Chicherin himself, and he had moved his amendment in order to reach an agreement. Since M. Chicherin now rejected his own proposal, he would withdraw the amendment.

THE PRESIDENT observed that, thanks to the spirit of conciliation shown by Mr. Lloyd George, they had at last succeeded in reaching an agreement on every point, except with regard to the choice of the place [where] the commissions were to meet.

M. CHICHERIN observed that they still had to decide regarding his proposal to omit the word 'Soviet' in the first paragraph of article 6.

THE PRESIDENT said that he did not think there would be any difficulty on that point. The sentence in question would read: 'The Russian Soviet Government and the Allied Governments . . . '.

VISCOUNT ISHII said that he regretted that the Japanese delegation must raise an objection to the wording proposed by the president. It was difficult for the Japanese delegation to consent to the striking out of the word 'Soviet'.

THE PRESIDENT said that the omission of the word extended the scope of the clause in question. M. Chicherin had said that the Governments which were the Allies of Russia were not all Soviets; accordingly if the word 'Soviet' were struck out all Governments allied with Russia would be covered by the provisions of article 6. He thought this wording would meet the wishes of the Japanese Government more fully.

VISCOUNT ISHII said that the Japanese delegation wished to exclude a Government which was not Soviet and which was an ally of the Moscow Soviet Republic, the Government of the Republic of the Far East. He did not understand why the Russian delegation insisted on including the Government of the Chita Republic in the discussion. The Japanese Government had definitely undertaken that Japanese troops would take no aggressive

action in Siberia, and they had a military agreement with the Government of the Far East Republic.<sup>4</sup> The Japanese delegation was not authorised to conclude an agreement with a country which had not been invited to the conference and was not represented there.

M. BRATIANO thought that it would be desirable to add the phrase: 'and all Governments allied with the Governments which conclude the present pact with Russia'. The words 'all Governments allied with Russia' might include any country and not merely the federated republics. He did not need to say that Roumania had no intention of attacking the Allies of Russia, whoever and wherever they were, but he thought it was necessary to insert the words he had suggested in order to make the text quite clear.

THE PRESIDENT said that he did not think the amendment was necessary. He pointed out that the words 'republics allied with Russia' could not be understood to mean any but allied Governments represented by Russia at the Genoa Conference. Neither Russia nor any other Power at the conference could contract any engagement on behalf of those of her allies who were not represented at the conference, and had not given her a mandate to represent them at the conference.

M. BRATIANO then proposed the following wording: 'the federated Governments of Russia'.

M. RAKOWSKY suggested the words: 'the Governments of the countries situate in the territory of the former Russian Empire'.

THE PRESIDENT thought it would not be difficult to arrive at an agreement for the adoption of a final formula on that point. The question which Viscount Ishii had just raised again was, however, more serious. From the statements made by Viscount Ishii at the meeting of that morning, he had thought that the Japanese delegation had declared that Japan had no aggressive intentions, and agreed to the inclusion of the Far Eastern Republic in the general pact. The question of the withdrawal of the Japanese troops from the territory of the Far Eastern Republic was quite different; it was a matter rather for special agreements between the countries concerned. But as regarded the pact of non-aggression, he thought no difficulty remained between the delegate of Japan and the delegate of Russia. If Japan now modified her attitude, that seemed to suggest that she no longer intended to adhere to the pact of non-aggression. The president sincerely hoped that that was not the case. As regarded the definition of the Governments allied to Russia, which were to be considered as parties to the pact, he asked M. Chicherin if he had a suggestion to make which would take into account both the desire expressed by Mr. Lloyd George and the observations made by M. Bratiano.

M. CHICHERIN, in order to explain to the Prime Minister of Great Britain his reason for desiring to delete the word 'Soviet', remarked that the Republic of Bokhara was allied to Russia, but was not Sovietist. The Republic of Bokhara was separated from India by a very narrow strip of territory. The republics allied to the Soviet Republic of Moscow were: the

<sup>4</sup> See No. 89, n. 9.



Ukraine, White Russia, the three republics of the Caucasus, the two republics of Central Asia and the Far Eastern Republic. He handed the president a list of the republics allied to Russia (see Annex).

MR. LLOYD GEORGE asked if the Ukraine was Sovietist.

M. CHICHERIN replied that the Ukraine and White Russia were Sovietist, but the two republics of Central Asia and the Far Eastern Republic were not.

M. SKIRMUNT proposed that they should be mentioned by name.

MR. LLOYD GEORGE did not agree.

VISCOUNT ISHII thought that there was no difficulty in including the Republic of Bokhara. He thought that it might be indicated that the Far Eastern Republic was excluded from the pact. The Far Eastern Republic was not within the purview of the conference, and Japan had a military agreement with it, establishing neutral zones, and other questions, which was exactly the same thing as the pact of non-aggression. He thought that the Russian delegation should be perfectly satisfied with that.

MR. LLOYD GEORGE said that he thought it would be very harmful if there was a special exception in the pact of non-aggression in respect of the Republic of Chita. It would look as though the pact did not cover that particular part of the world; it would leave a very bad impression. That was not what the Japanese delegation really meant. They said they had a pact of non-aggression already, but that was equally true of Poland, which had got her pact in the Riga Treaty.<sup>5</sup> Poland, however, was willing to adhere to this pact of non-aggression for the sake of preserving solidarity among the Powers, although the Polish pact went far beyond what was proposed. The clause had a psychological effect. The mere fact that, at the greatest gathering of all the nations that had ever been held, they solemnly declared there was to be a pact of non-aggression, was going to have the greatest psychological effect throughout the world. If Japan said that the pact applied to everybody else but not to them, that was going to be a very serious thing. He suggested that Japan might adopt the same attitude as Poland, and, for the sake of solidarity, agree to sign the pact.

THE PRESIDENT hoped that Viscount Ishii, after Mr. Lloyd George's appeal, would join in the general proposal. Japan had already concluded a special pact with the Far Eastern Republic, which gave her all the necessary guarantees, and could therefore join in the new pact without any fear.

VISCOUNT ISHII replied that the difficulty under which the Japanese delegation was labouring was of a technical nature. They were not authorised to sign any agreement with a country which had not been invited to attend the conference. He understood, however, that the main reason for which the Russian delegation wished to strike out the word 'Soviet' was to include Bokhara. If that was the case, and if it was understood that the Siberian Republic was not meant, the Japanese delegation could consent without any exception being made or any words struck out.

M. CHICHERIN said that he could not agree to the exception of the Far Eastern Republic.

<sup>5</sup> See No. 82, n. 9.

THE PRESIDENT thought that the difficulty might perhaps be overcome by noting in the minutes that Japan had already concluded a pact with the Far Eastern Republic. He accordingly proposed that M. Bratiano and Mr. Lloyd George should accept the following formula: 'The Russian Soviet Government and the Governments allied with the Russian Soviet Government on the one hand, and the other participating Governments on the other hand.'

M. BRATIANO observed that he by no means proposed by his amendment to defend a special interest of Roumania. He only wished to remark that the proposed reading did not meet the wishes of the Russian delegation. The States in view were certain Russian republics effectively allied to Russia, that is to say, federated among themselves, and not any State whatever which might be allied to Russia.

THE PRESIDENT then proposed the following reading: 'The Governments *now* allied with the Russian Soviet Government.' He asked the Russian delegation if they would accept the formula amended in that way.

M. CHICHERIN replied in the affirmative.

VISCOUNT ISHII said that in this question the Japanese delegation gave its consent *ad referendum*.

THE PRESIDENT said that they had now only to settle the question of the place of meeting of the conference. As he saw no chance of arriving at an agreement on this question by discussion, he thought that there was only one way of overcoming the difficulty, and that was by putting it to the vote. The question of the place of meeting of the conference was not a question of principle, neither was it a mere question of procedure, but it partook of the latter character, and therefore, as in all international meetings, it might be settled by the majority on a vote.

M. CHICHERIN did not see how the sub-commission could decide by a majority the place where the Russian commission was to meet. The sub-commission could only name the town in which the non-Russian commission should meet.

THE PRESIDENT thought that the Russian delegation would accept the decision of the majority on a question of procedure. As this was the only question to be settled, he made a last appeal to the conciliatory spirit of the Russian delegation. He begged them to consider once more that The Hague was the town chosen by all the delegations, and he urged the Russian delegation to accept the proposal without compelling him to ask for the opinion of the majority.

M. CHICHERIN replied that this was a question of principle for Russia. For more than four years the Government of the Netherlands had not thought it possible to enter into relations with Russia, and the Russian Government therefore could not agree to the Russian commission meeting on Dutch territory.

THE PRESIDENT observed that the Netherlands Government, by inviting the Russian Government to The Hague, would be giving a proof of its intention to recognise it at least *de facto*. He thought that on that consideration the Russian delegation might accept the invitation.

M. CHICHERIN said that he was prepared to accept, on condition that the representative of the Dutch Government declared that this invitation implied the resumption of *de facto* relations.

MR. LLOYD GEORGE suggested that they had argued this quite enough. It was not a question of principle, but merely a question of convenience. He thought he ought to move the closure of the discussion so that they could put the question to the vote.

THE PRESIDENT said that, since Mr. Lloyd George had moved the closure of the discussion, he could not oppose it, but before putting the question, he asked the Russian delegation for the last time, in a perfectly friendly way, to agree to the choice of The Hague.

M. MOTTA observed that the Netherlands Government clearly could not give the undertaking which M. Chicherin asked from them. It was, however, understood that the Netherlands Government would send an invitation to all the Governments to proceed to The Hague.

THE PRESIDENT remarked that it was not the Government of The Hague which would send out the invitations.

He then put to the vote the proposal to designate The Hague as the place of meeting of the commissions. The proposal was approved on a show of hands by all except the Russian delegation.

M. CHICHERIN stated that the Russian delegation could not take part in this vote, which it did not consider as binding it. So far as they were concerned, the question remained open.

THE PRESIDENT remarked that the Russian delegation, by its attitude, made agreement impossible.

MR. LLOYD GEORGE said that they must know whether, if they went to The Hague, the Russian delegation was going to be there. If the Russians said they would not go to The Hague, it was no use anyone else going. They really must know.

M. CHICHERIN remarked that there were many other towns in Europe where the commissions might meet.

MR. LLOYD GEORGE protested again against the Russian attitude. The Dutch Government had invited them, just as much as anyone else, and on absolutely equal terms, to go to The Hague, which had the character of an international town. It suited the convenience of thirty nations as against eight. The Dutch Government, having invited them, would treat them like anybody else. The mere fact that the Dutch Government had officially declared their readiness to invite the Soviet Government, amongst others, ought to gratify them, because it showed that the relations were different from what they were before.

M. CHICHERIN asked the president whether, in the name of the conference and in the name of all the Governments represented there, he could give him an absolute guarantee that, in that State where Russia had no relations, where she was not recognised and where she had no representative, the Russian delegation would enjoy all the customary guarantees and privileges. He asked that the guarantee might be given him in the name of the whole

conference. The Russian Government would thus be able to invoke that collective guarantee as a ground of appeal to all the Governments there present if it should meet with similar difficulties at The Hague to those which it had already experienced in dealing with certain States with which it had no relations.

THE PRESIDENT said that, in reliance on a declaration which had just been made to him by the Netherlands Minister, he was in a position to give the Russian delegation the most formal assurance that, if it agreed to go to The Hague, it would enjoy the same guarantees as the delegations of all the other nations there represented.

M. CHICHERIN said that, in consideration of the fact that this statement had been made to him by the president, and with the guarantee of the conference itself, he agreed that the commissions should meet at The Hague.

THE PRESIDENT thanked the Russian delegation. He added that the sub-commission was now entirely in agreement as to the terms of the document submitted for its approval, and he declared that the text of this document, with the amendments which had been made to it in the course of the discussion, was definitively adopted by the sub-commission.

He announced that the First Commission would meet in full session on the following morning at 11 o'clock for the purpose of approving the document which had just been adopted.

The meeting closed at 7.30 P.M.

#### ANNEX

*Document handed by the Secretary of the Russian Delegation to the President of the Sub-Commission of the First Commission, at Meeting held on May 17, at 4 p.m.*

The Republics allied with Russia are as follows: Ukraine, White Russia, Georgia, Armenia, Azerbaijan, Khiva, Bokhara, Far East.

GEORGE CHICHERIN.

#### No. 138

P.C. 2] *Meeting of the Plenary Session of the First (Political) Commission, held at the Palazzo Reale on May 18, 1922, at 11 a.m.*

PRESENT: President: Signor Facta.

*Albania:* M. Medhat Frasheri.

*Austria:* M. Schober.

*British Empire:* The Right Hon. D. Lloyd George, O.M., M.P.

*Bulgaria:* M. Stamboliiski.

*Czechoslovakia:* M. Girsá.

*Denmark:* M. Bernhoft.

*Esthonia:* M. Pusta.

*Finland:* M. Enckell.

*Greece:* M. Roufos.

*Hungary:* Count Banffy.  
*Iceland:* M. Bjornsson.  
*Italy:* Signor Facta, Signor Schanzer.  
*Japan:* Baron Hayashi, Viscount Ishii.  
*Latvia:* M. Meierovics.  
*Lithuania:* M. Galvanauskas.  
*Netherlands:* M. Platijn.  
*Poland:* M. Skirmunt.  
*Portugal:* M. Teixeira-Gomes.  
*Roumania:* M. Bratiano.  
*Russia:* M. Chicherin.  
*Serb-Croat-Slovene Kingdom:* M. Ninčić.  
*Spain:* Marquis de Villa-Urrutia.  
*Sweden:* M. Uden.  
*Switzerland:* M. Motta.

The meeting opened at 11 A.M.

THE PRESIDENT, in opening the meeting, stated that a plenary meeting of the commission had been called for the sole purpose of discussing the clauses adopted by the Sub-Commission of the First Commission at its meeting on the 17th May, 1922<sup>1</sup> (see Annex).<sup>2</sup> He called upon Signor Schanzer to give an account of the negotiations which had been carried out up to that time regarding the Russian question.

SIGNOR SCHANZER read the following report:—

‘I have the honour to submit for the approval of the commission the document which was approved yesterday by the sub-commission, and which refers to the continuation at The Hague of the discussions begun at Genoa with the representatives of the Russian Soviet Republics, with the object of reaching an agreement on the questions of debts, private property, credits, and of a pact of non-aggression.

‘I think I should give the commission a brief description of the various phases of the discussion of the Russian question, from the beginning up to the present time, and explain how the sub-commission came to adopt the document which I am submitting.

‘The first phase of the discussion of the Russian question began at the first meeting of the sub-commission,<sup>3</sup> when the memorandum drawn up by the Allied experts in London<sup>4</sup> was submitted to the Russian delegates as a basis for the settlement of the three groups of questions which it was necessary to solve in order to reach a general agreement with Russia, that is to say, liquidation of the past, conditions for the future, and measures to facilitate an immediate economic reconstruction of Russia. Private meetings<sup>5</sup> took place between the Russian delegates and the representatives of the countries whose experts had drawn up the memorandum. During

<sup>1</sup> See No. 137.

<sup>2</sup> Only the sixth clause is here printed: for clauses 1–5, see No. 132, Annex, ‘Clauses for communication to the Russian Delegation’.

<sup>3</sup> See No. 69.

<sup>4</sup> See No. 56, Appendix.

<sup>5</sup> See No. 72 and No. 73, n. 2.

these meetings it was endeavoured to settle questions concerning the liquidation of the past. A short memorandum setting forth the principles for the solution of the questions of debts and property, was drawn up on the 15th April<sup>6</sup> and submitted to the Russian delegation, which replied by the note of the 20th April.<sup>7</sup> A special committee of experts was set up immediately<sup>8</sup> to continue the discussions with the Russian delegation on the basis of the note submitted on the 20th April. With the work of the Committee of Experts begins the second phase of the discussion of the Russian question. The experts were directed to draw up a proposal which was to be submitted first to the sub-commission and then to the First Commission. The experts held four meetings, on the 22nd,<sup>9</sup> 23rd<sup>10</sup> and 24th April,<sup>11</sup> but it appeared clearly from their discussions that the two parties were not yet within sight of agreement.

'On the basis of the document submitted by the Russian experts at the meeting of the 24th April, and with the addition of certain considerations dealing with the Russian problem as a whole, and certain conditions which were essential for a renewal of economic relations with Russia, a memorandum was drawn up and submitted to the Russian delegation on the 2nd May.<sup>12</sup> M. Chicherin replied to this memorandum in his note addressed to the president of the sub-commission of the 11th instant.<sup>13</sup> This reply was considered unacceptable. The sub-commission, however, discussed the possibility of setting up commissions of experts to continue elsewhere the work begun at Genoa.<sup>14</sup> In the document, which I have the honour to submit to you, the sub-commission has, in fact, agreed to propose the establishment of a non-Russian commission and a Russian commission, to meet at The Hague on the 26th June with the object of settling the questions of debts, private property and credits.

'The President of the Genoa Conference, in accordance with the wishes of the commission, will invite the countries represented at Genoa to be present at The Hague meeting. He has informed the Government of the United States of America of the decision which has been reached, expressing the hope that it will take part in The Hague meeting. Unfortunately, the Washington Government has felt itself unable to accept the invitation to take part in the work at The Hague.<sup>15</sup> We all realise the great advantages of solving the Russian problem at the earliest possible moment. With this object in view, the commissions of experts are to meet on the 26th June, and their work is to be limited to a period of three months. In the document which deals with the establishment of The Hague Commission[s], and lays down their programme of work, the sub-commission has also included the pact of non-aggression between Russia and the other Powers which accept the proposal. The object of this pact is to allow the commissions to work in an atmosphere of mutual confidence and

<sup>6</sup> See No. 74, Appendix.

<sup>7</sup> See No. 81, Appendix.

<sup>8</sup> See No. 82.

<sup>9</sup> See Nos. 84 and 87.

<sup>10</sup> See No. 90.

<sup>11</sup> See No. 91.

<sup>12</sup> See No. 108, Annex II.

<sup>13</sup> See No. 122, n. 2.

<sup>14</sup> See Nos. 134, 136, and 137.

<sup>15</sup> See No. 132, n. 17.

tranquillity; it is, moreover, an affirmation of the programme of peace and pacification upon which the Conference of Genoa has been based.'

Signor Schanzer then read the document (see Annex) which was submitted for the approval of the First Commission.

THE PRESIDENT stated that as no delegate had raised any objection, the proposals submitted were considered adopted by the First Commission.

M. GALVANAUSKAS asked for an explanation of article 6; by this article Russia, on the one hand, and the other signatory States on the other, undertook not to attack each other. He considered that this guarantee was insufficient, and wished to know whether the pact of non-aggression provided a guarantee against conflicts between signatory States other than Russia. Lithuania was especially interested in this aspect of the question; the pact provided Poland with a guarantee that she would not be attacked by Russia, but it did not provide Lithuania with a guarantee that she would not be attacked by Poland. Such a guarantee seemed to him all the more necessary in view of the fact that Poland would be freed from all anxiety with regard to her eastern frontier.

THE PRESIDENT stated that the Lithuanian delegate's request could not be considered, as it referred to a document which had already been approved, and could not therefore be discussed. In any case, the text of article 6 was absolutely clear, and there was no necessity for any further comment upon it.

M. SKIRMUNT wished to define Poland's attitude in order to reassure M. Galvanauskas. Poland had no intention of attacking Lithuania, as had been expressly stated by her on the 13th January, at the close of the conciliatory negotiations initiated by the Council of the League of Nations.<sup>16</sup> The Lithuanian Government had also declared that it would abstain from all acts of aggression against Poland. Poland intended to remain faithful to this peaceful attitude.

M. CHICHERIN stated that the Russian delegation had interpreted article 6 as a general engagement which was binding upon all countries. Moreover, the *status quo* mentioned in the article was the territorial *status quo* of all the countries which had concluded treaties with Russia, and not merely of countries which bordered upon Russia.

THE PRESIDENT declared that the discussion of the agreement, which had been unanimously approved by the commission, was at an end. He called upon M. Platijn, the delegate of the Netherlands, to speak.

M. PLATIJN wished to repeat at the present meeting the declarations which had been officially made [on behalf of] the Netherlands delegation at the last meeting of the sub-commission, at which the Netherlands delegation had not been present. The declaration which Signor Schanzer had made at the present meeting was in exact conformity with the views of the Government of the Netherlands. The Russian commission which would proceed to The Hague to take part in the continuation of the work begun at the Conference of Genoa would enjoy all the privileges accorded to other delegations. It would be treated on a footing of complete equality with the

<sup>16</sup> See No. 95, n. 7.

others. The honour of the Netherlands demanded that its guests should be worthily received and should all be treated with the same hospitality. M. Platijn would be happy to declare in the plenary session of the conference that the Netherlands Government hoped to serve the interests of humanity by using every endeavour to assist the work of the commissions.

THE PRESIDENT heartily thanked the delegate of the Netherlands for his words, which had been greatly appreciated by the Italian delegation.

M. PUSTA declared that, in the opinion of the Esthonian delegation, one of the most important results of the conference was the assurance which was to be given on behalf of the thirty-four nations represented there, that all the divergencies of opinion which had arisen at Genoa were to be settled by the peaceful methods of a subsequent conference. The Esthonian delegation did not think that anyone was desirous of a recrudescence of war in Europe, even if The Hague Commissions did not succeed in settling all the economic questions which were to be submitted to them. The delegation considered that, by signing the pact of non-aggression and abstention from propaganda, each signatory was undertaking to prepare the final Treaty of Peace as soon as possible. It was the duty of the Esthonian delegation to declare that the basis of the political and economic relations existing between Esthonia and Russia since that date<sup>17</sup> could not be compromised by the results of The Hague, or any other Conference. It was, therefore, with this express reservation—which the Esthonian delegation wished to be inserted in the protocol of signature—and in a spirit of solidarity, and with the object of once more affirming Esthonia's intention of respecting and applying, on condition of reciprocity, the provisions of the treaty between herself and Russia, that the Esthonian delegation accepted the pact of non-aggression.

MR. LLOYD GEORGE assumed that the Political Commission had accepted the recommendation of the sub-commission which would be submitted the next day to the plenary session. Before moving a practical resolution, which seemed to him very necessary, he wished, on behalf of the British Empire delegation, to associate himself with the thanks expressed by the president to the Netherlands Government for their ready acceptance of the suggestion that the Commission of Experts should meet at The Hague. He was very grateful to them for the readiness with which they had accepted the suggestion, and he had no doubt that the new conference, like that of Genoa, would be associated [with memorable results in regard to the future of Europe and the destiny of mankind throughout the whole world. It was necessary that there should be some practical link between the Genoa Conference and that to be held at The Hague. The Netherlands Government would naturally want to be in touch with a representative of the Genoa Conference. Mr. Lloyd George suggested that the best plan would be for [the] president of the Genoa Conference to represent it in that respect. He, therefore, moved: 'That the president be requested to make the necessary arrangements with the Netherlands Government for the assembling of the

<sup>17</sup> A Peace Treaty was concluded between Esthonia and Russia on February 2, 1920 (see *B.F.S.P.*, vol. 123, pp. 854-66).



commissions at The Hague.' If the president, on behalf of the conference, communicated directly with the Netherlands Government, arrangements could be made between them as to the time of meeting and as regards all the questions which might arise in that respect.

M. PLATIJN thought that Mr. Lloyd George's suggestion was a very practical one, and associated himself fully with it.

THE PRESIDENT stated that he very willingly accepted Mr. Lloyd George's proposal, and would be honoured to communicate with the Netherlands Government on the matter.

Mr. Lloyd George's proposal was accepted.

This completed the agenda, and the meeting adjourned at 11.50 A.M.

#### ANNEX.

##### *Clauses adopted by the First Commission at its Meeting of May 18, 1922.*

...<sup>18</sup> VI.—In order to enable the work of the commissions to be carried on in tranquillity, and in order to restore mutual confidence, engagements will be entered into binding the Russian Soviet Government and the Governments now allied with the Russian Soviet Government on the one hand, and the other participating Governments on the other hand, to refrain from all acts of aggression against their respective territories, and to refrain from subversive propaganda. The pact to refrain from acts of aggression will be founded on the observance of the existing *status quo*, and will remain in force for a period of four months from the closing of the work of the commissions. The agreement against propaganda will bind all the signatory Governments to abstain from interfering in any way in the internal affairs of other States, from supporting by financial or other means political organisations at work in other countries, and also to suppress in their territory attempts to foment acts of violence in other States, and attempts which might disturb the territorial and political *status quo*.

<sup>18</sup> For the text of the first five clauses, see No. 132, Annex. See also No. 142, below.

#### No. 139

s.G. 32] *Note of a Conversation at the Palazzo Reale, Genoa, on Thursday, May 18, 1922, at 12.15 p.m.*

PRESENT: *British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P.,  
The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P.,  
Sir Philip Lloyd-Greame, K.B.E., M.C., M.P., Sir Maurice  
Hankey, G.C.B., Sir Cecil Hurst, Sir Sydney Chapman,  
Mr. E. F. Wise.

*Italy*: Signor Facta, Signor Schanzer, The Marquis Visconti  
Venosta, Baron Romano Avezzana.

SIR CECIL HURST said that he had visited M. Fromageot that morning and

had gathered from him there were two points on which the French were dissatisfied with the document which had just been passed at the First Commission.<sup>1</sup> The first difficulty of the French delegation was that on Sunday last at the Villa d'Albertis, a *procès-verbal* had been drawn up which included an understanding that there should be no separate negotiations with the Russians during the continuance of the work of the commission at The Hague.<sup>2</sup> This understanding was binding on the States which had been represented at the Sub-Commission of the First Commission on Monday the 15th May.<sup>3</sup> The French delegation pointed out that it ought to be made binding on all the non-Russian Powers participating at The Hague. He had told M. Fromageot that this was at present an inter-Allied arrangement, and that it could easily be communicated to the other States who would be represented at The Hague, though not to the Russians. He thought that the French delegation would be satisfied if a decision were taken to send the *procès-verbal* to the other States.

SIGNOR SCHANZER then read a letter he had received from M. Barthou<sup>4</sup> making exactly the same point, and stating that the *procès-verbal* ought to be sent to the other non-Russian Powers except Germany. Signor Schanzer felt that it was not a sound arrangement for some of the Powers represented at The Hague to be bound while others were free to make separate arrangements. He thought, however, that the *procès-verbal* should not be communicated to these States here at Genoa but afterwards, when the invitations to The Hague were sent by the president of the conference. Moreover, he thought it would suffice to send paragraphs 5 and 6 of the *procès-verbal*.

SIR L. WORTHINGTON-EVANS pointed out that M. Chicherin had made a very definite reservation as to the right of the Russian Soviet Government to draw out of the agreement if the other Governments went to The Hague bound to make no separate arrangements. This had been the implication of the remark M. Chicherin had made about the alleged secret agreement. The principal Governments were already bound. He thought it would suffice if the matter were raised at a private meeting of the non-Russian Powers at The Hague.

SIGNOR SCHANZER pointed out that at present the understanding to make

<sup>1</sup> See No. 138.

<sup>2</sup> See No. 132, Annex.

<sup>3</sup> See No. 133.

<sup>4</sup> M. Barthou's letter, dated May 18, read as follows: 'Le *procès-verbal* de la réunion tenue à la Villa d'Albertis, le 14 mai 1922, a été approuvé par la première sous-commission dans sa séance du 15 mai.

'Il me paraît indispensable qu'il le soit aussi par les Puissances, autres que l'Allemagne et la Russie, qui siègent à la première commission sans être représentées dans la sous-commission.

'Si cette précaution n'était pas prise, les engagements consignés aux paragraphes 5 et 6 de ce *procès-verbal* [No. 132, Annex], en ce qui concerne tant la non-conclusion d'accords séparés que le respect des droits des ressortissants étrangers, ne lieraient que les Puissances représentées à la première sous-commission.

'Je suis convaincu qu'il m'aura suffi d'appeler sur cette question l'attention de votre Excellence pour qu'elle provoque une occasion, si elle ne l'a déjà fait, de communiquer à toutes les Puissances représentées à Gênes, autres que l'Allemagne et la Russie, le *procès-verbal* dont il s'agit.'

no separate arrangements being incorporated in a *procès-verbal* was merely a 'gentleman's agreement'. If other countries entered into separate agreements with Russia Italian public opinion would protest, and it would be very difficult for the Italian Government not to do likewise.

SIR P. LLOYD-GREAME pointed out that by raising the difficulty at the present moment considerable risks were taken as regards the Russians, and yet the French would not be bound, since they had reserved entire freedom as to entering into negotiations with the Russian commission at The Hague.

MR. LLOYD GEORGE said that in his opinion there were only two practical courses: first, to summon all the non-Russian States the same afternoon and ask them to adhere to this arrangement; and, second, to communicate the arrangement to all Governments in sending the invitations. He thought it would be risky to do it at The Hague. He would suggest that Signor Schanzer should reply to M. Barthou that it was proposed to communicate the arrangement when forwarding the invitations. It was a great pity, in his view, that M. Barthou had not been present in order to raise the matter himself.

SIR L. WORTHINGTON-EVANS suggested that the communication to the Powers should not be made before the final plenary meeting on the following day.

MR. LLOYD GEORGE agreed.

SIGNOR SCHANZER agreed to adopt the Prime Minister's proposal.

SIR CECIL HURST then mentioned the second point raised by M. Fromageot. It referred to an agreement that had been made on the previous day under which the present allies of the Russian Soviet Government were included in the pact.<sup>5</sup> The French delegation wanted to substitute the word 'Republics' for the word 'Governments', and to add the words 'which have been set up in Russia and may now be allied with the Russian Soviet Government'. He thought that the real reason animating the French delegation was that they might be apprehensive lest Angora was included as an ally of Russia.<sup>6</sup>

SIGNOR SCHANZER said he had two observations to make. First, it was impossible at this stage to modify the communication already made to the Russians; and, second, he recalled that M. Chicherin had handed in a written list of the States allied to Soviet Russia, which he had signed. He thought this list might facilitate matters with the French. He did not know, however, what had become of the list.

SIR MAURICE HANKEY produced the original of the list, which had been handed to him.

SIGNOR SCHANZER said he thought that the list should be included in the archives of the conference, and handed it to the secretary-general.

SIR CECIL HURST said that if the French delegation were not met on this point he thought they would put in a letter. When he had visited M. Fromageot that morning they had been framing a letter on the subject.

MR. LLOYD GEORGE pointed out that the letter actually received from the

<sup>5</sup> See No. 137.

<sup>6</sup> See No. 96, n. 17.

French delegation mentioned Sir Cecil Hurst's first point but not his second. It looked as though the latter might have been dropped.

SIR CECIL HURST then produced the scheme prepared by the jurists for the procedure at the final meeting of the conference.

SIGNOR SCHANZER felt some doubts as to the wisdom of the course proposed. Germany, he pointed out, would have to be left out when the list of nations was called which were to adhere to the pact. This might cause difficulties. He thought the best plan would be for the president to have in his possession a list of the nations. He thought it possible that Germany might insist on making a separate statement. He asked Sir Cecil Hurst if he would see M. Fromageot and tell him about the list of the republics allied to the Russian Soviet Republic, which had been handed in by M. Chicherin, in order that M. Fromageot might explain the matter to M. Barthou.

SIR CECIL HURST undertook to do this.

MR. LLOYD GEORGE urged that a reply should be sent to M. Barthou before the plenary meeting in order that no question on Sir Cecil Hurst's first point might be raised at the plenary session.

Finally, it was arranged that Mr. Lloyd George, who was seeing M. Wirth the same afternoon, should speak to him about the proposed procedure, and that he should also speak to the Jugo-Slav delegates, whom he was to see that afternoon, and that Signor Schanzer and the Secretary-General should see as many of the other States as possible in order to secure their agreement to the procedure proposed.

*Hotel Miramare, Genoa, May 18, 1922.*

## No. 140

s.G. 33] *Notes of a Conversation at the Villa d'Albertis, Genoa, on Thursday, May 18, 1922, at 5 p.m.*

PRESENT: *British Empire:* The Rt. Hon. D. Lloyd George, O.M., M.P.,  
The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P.,  
Sir Maurice Hankey, G.C.B., Sir Edward Grigg, K.C.V.O.,  
C.M.G.

*Germany:* Dr. Wirth, Dr. Rathenau, Herr Dufour.

### *Reparations.*

DR. WIRTH, in reply to a question by Mr. Lloyd George, said that he was leaving Genoa the day after to-morrow.

MR. LLOYD GEORGE said he had heard that the German Government had paid their instalment on the 15th May.

DR. WIRTH replied in the affirmative.

MR. LLOYD GEORGE said that it ought to have a soothing effect.

DR. RATHENAU said the danger was still the 31st May.<sup>1</sup>

MR. LLOYD GEORGE agreed.

<sup>1</sup> See No. 96, n. 5.

DR. RATHENAU said all depended on the decision of the Reparations Commission.

MR. LLOYD GEORGE said he had wired for Sir John Bradbury<sup>2</sup> to meet him in Paris.

DR. RATHENAU replied that much depended on Sir John Bradbury. He understood that Signor Schanzer had also telegraphed to Signor Salvago Raggi<sup>3</sup> to take a moderate line. The note which the German Government had sent had been drawn up on the lines of what they understood from Herr Bergmann<sup>4</sup> was Sir John Bradbury's wish. Herr Bergmann now said that Sir John Bradbury was not satisfied.

DR. WIRTH said they had heard to-day that Sir John Bradbury was using rather harsh language.

MR. LLOYD GEORGE asked if they had any private information, or was this merely a conversation between Herr Bergmann and Sir John Bradbury.

DR. WIRTH said it was the latter.

DR. RATHENAU said, on the other hand, that their information from the United States of America was satisfactory. Conversations in regard to the loan were to begin on the 23rd May.

MR. LLOYD GEORGE said that if America would help in a loan that would be useful.

DR. RATHENAU said it was very important for Germany to get a loan. What they wanted to avoid was the *manquement volontaire*.

MR. LLOYD GEORGE said that if the latter was declared the conditions would be favourable for M. Poincaré to act. M. Poincaré had written and said so much that he was almost bound to act if he had an excuse. He would, however, have to communicate first with his Allies. He might say he was not bound to take their decision, but he was bound to consult them. He asked Sir Maurice Hankey if an ally could act independently under the Treaty of Versailles.

DR. RATHENAU said that this was a debateable point, and their legal advisers claimed that one ally could not act separately under the treaty.

SIR MAURICE HANKEY said he was doubtful whether that was juridically the case. He recalled, however, M. Millerand's undertaking not to act without consultation.<sup>5</sup>

MR. LLOYD GEORGE said he did not like to say very much on the question before he had consulted his Cabinet, who, he believed, had strong views on the subject.

DR. RATHENAU said that action against Germany by France meant the reopening of the war. It was true that one party might not resist, but, nevertheless, it amounted to war.

MR. LLOYD GEORGE said he must first see Sir John Bradbury to obtain information and then consult the Cabinet.

DR. RATHENAU said they had prepared some short papers about the situation. These should not be considered as official documents. They had

<sup>2</sup> See No. 7, n. 1.

<sup>3</sup> See No. 111, n. 10.

<sup>4</sup> See No. 9, n. 8.

<sup>5</sup> See No. 106, n. 5.

merely been prepared to show in a single page the points to which they desired to draw attention (see appendices).

*'Schutzpolizei.'*

He then referred to the 'Schutzpolizei'. The Inter-Allied Military Control Commission wanted to demilitarise the 'Schutzpolizei' and put it under the municipalities. This meant they would in some cases be under a burgomaster who was an Independent Socialist or Radical. On Mr. Lloyd George commenting on the term 'Radical' as quite inoffensive, he explained that on the Continent this meant a Socialist of the Left or a Bolshevik. A second question to which he wished to refer was that of the Ambassadors' Conference.

MR. LLOYD GEORGE said he had also asked Lord Hardinge to see him in Paris. He was a very moderate man.

DR. WIRTH explained that the 'Schutzpolizei' was under the States, and not under the Empire.

DR. RATHENAU said that the Central Government had no means of controlling these States on matters of this kind.

MR. LLOYD GEORGE asked whether, taking Bavaria as an example, the 'Schutzpolizei' was under the town of Munich or under the State of Bavaria.

DR. RATHENAU said it was under the State.

MR. LLOYD GEORGE asked if the Inter-Allied Military Control Commission claimed that it should be under the municipality.

DR. RATHENAU replied in the affirmative. They also claimed that, even in quite small places, the 'Schutzpolizei' should be under the control of the locality.

HERR DUFOUR then read the note prepared in regard to the 'Schutzpolizei' (Appendix I).

During the reading, Dr. Rathenau pointed out the important point was that they insisted on this being carried out on the 25th May.

MR. LLOYD GEORGE said he understood that the strength of the 'Schutzpolizei' was 85,000 only, instead of 150,000 allowed by the treaty.

DR. WIRTH said that they were prepared to do their best to induce the States to reduce to 50,000.

MR. LLOYD GEORGE pointed out that it was not a reduction that was required so much as the removal of the military character of this force. It was a matter on which it was difficult for the British Government to take a strong line, as the British police was entirely non-military. The only exception had been in the case of Ireland, where until recently what was virtually a military police had been maintained.

SIR L. WORTHINGTON-EVANS remarked that the British police was local everywhere.

MR. LLOYD GEORGE said he did not want to put up a fight on a point where he could not hold his position. If he contested this point he would be told that they only asked Germany to do what England already does. It was difficult to take a strong line on a point which, without being a false line of argument, was difficult to defend. The German delegates said that there

was a Communist movement in Germany, but so there was in Great Britain. In South Wales there had been serious troubles, and yet there was no military police. It was not a point he could fight out.

DR. RATHENAU suggested that perhaps it was unnecessary to fight it out.

SIR L. WORTHINGTON-EVANS asked what was the practical difficulty in municipalising the police.

DR. RATHENAU said the difficulty was that the municipalities in some cases were in the hands of the Communists.

DR. WIRTH instanced cases in Westphalia and Saxony where this was the case.

MR. LLOYD GEORGE reiterated that it was a difficult case for him to make owing to the British system. If he wanted to persuade France on such a point, he must be on firm ground himself, and this was not good ground for him. Some day Great Britain might conceivably be driven to adopt the German system.

DR. RATHENAU said that Great Britain had no real Communism. He said that the Central Government was physically unable to compel States to adopt the system proposed. The danger was that the date fixed, namely, the 25th May, corresponded closely to the 31st May. They might find some method of conciliation by reducing from 85,000 to 50,000 men.

MR. LLOYD GEORGE said that, until he got to Paris and obtained more information, it was difficult for him to give any answer. He asked if the German Ambassador in London was up on this question.

HERR DUFOUR said that he could post him up in it.

DR. RATHENAU remarked that all the trouble was due to the Ambassadors' Conference.

MR. LLOYD GEORGE replied that this was not the case; the cause was really deeper than that.

DR. WIRTH said that he had in the past had great difficulty with the States over the question of disarmament; for instance, more especially in the case of Bavaria.<sup>6</sup>

MR. LLOYD GEORGE said that that argument would not influence the French in the least, but rather the other way. At the present time the policy attributed to Marshal Foch<sup>7</sup> was more or less in the ascendent. That had not been the policy of M. Clemenceau<sup>8</sup> or of M. Briand. M. Clemenceau refused to have anything to do with the policy of breaking up Germany.

DR. RATHENAU agreed that that was the case.

DR. WIRTH said they had just had information from the Rhineland to the effect that officials and the populace were anxious about rumours that, at the end of May, Separatist 'Putsches' were to be expected.

MR. LLOYD GEORGE said that M. Clemenceau had always refused to have anything to do with this policy. He did not know what the new French policy was. Germany might be broken up, but it would not be possible to keep apart a great people indefinitely.

<sup>6</sup> See No. 78, n. 12.

<sup>7</sup> See No. 1, n. 11.

<sup>8</sup> M. Georges Clemenceau, Prime Minister of France, 1906-9 and 1917-20.

### *Germany and the League of Nations.*

He then asked what was the German Government's attitude towards the League of Nations.

DR. WIRTH said that he himself was, and always had been, a friend of the idea of joining the League of Nations, but he could not see the way to carrying it out at present. It would be a great mistake to raise the question just now as public opinion was disgusted over decisions taken by the League in regard to Upper Silesia, the Saar Basin, and so forth.

MR. LLOYD GEORGE said that Lord Balfour<sup>9</sup> had wished to know what the German attitude was, as he would not raise the matter at the League if it was not convenient to the German Government.

### *French Policy.*

DR. WIRTH asked what could be done to check the Foch policy.

MR. LLOYD GEORGE said it was so important a matter that he could not express an opinion on it until he had discussed it fully with his Cabinet. The decision involved was a very important one.

### *Attitude of the Plenary Session.*

MR. LLOYD GEORGE asked what Dr. Wirth's attitude would be at the plenary meeting on the following day.

DR. WIRTH said he would like to hear what Mr. Lloyd George would say.

MR. LLOYD GEORGE said he did not particularly want to speak, and he proposed to refrain until towards the end of the meeting. He would, of course, have to thank the president of the conference, and so forth. He would also have to say something to the Russians as to how hopeless it was for them to proceed on the lines of the document of the 11th May.<sup>10</sup> He proposed to give them a note of warning that they would not get any credits if they continued on those lines.

DR. WIRTH asked if, in this event, the proposed commissions at The Hague<sup>11</sup> would ever meet. Would it not remove all hope from the Russians?

MR. LLOYD GEORGE did not think so. He thought that they would come to The Hague with some proposals. The document of the 11th May had been a hopeless one. Fancy a nation which wanted credits coming with a document the greater part of which was devoted to a defence of the doctrine of repudiation! The United States of America had refused to come in on that document.<sup>12</sup> Unless they changed their attitude somewhat there would be very little use in the meeting at The Hague.

DR. WIRTH said that if Russia was to go away from Genoa without any hope of credits, it might spoil the whole effect of the conference, which would then be absolutely negative in character.

MR. LLOYD GEORGE said that the reply of the Powers to the Russian note had been negative. They had refused absolutely to agree. They had said in

<sup>9</sup> See No. 106, n. 7.

<sup>10</sup> See No. 122, n. 2.

<sup>11</sup> See No. 132, Annex.

<sup>12</sup> See No. 132, n. 17.



effect, 'in principle we cannot accept your doctrines, but in practice we may be able to find some basis of agreement.'

DR. WIRTH asked what line he should take. Was he to criticise the conference; was he to put forward his troubles and difficulties? if he did so, it would make the French quite mad. Yet it was imperative that he should say something for the sake of his position at home.

DR. RATHENAU said that perhaps the best plan was to take the line of discussing things that had not been settled at Genoa, particularly in relation to the economic situation.

MR. LLOYD GEORGE said that at the last plenary meeting<sup>13</sup> the Germans had taken a very sound line.

DR. RATHENAU said he had written out some words on these lines. He proposed to conclude by words to the effect that they hoped that the process of conciliation between East and West would continue.

MR. LLOYD GEORGE agreed, but begged the German delegates to avoid controversy.

SIR L. WORTHINGTON-EVANS drew attention to the proposed plan of procedure. When the nations were asked to adhere to the pact of non-aggression, the names of certain countries would be read out, and they would accept.<sup>14</sup> The name of Germany would not be included.

DR. RATHENAU said the German delegation would therefore say nothing.

SIR L. WORTHINGTON-EVANS remarked that what they hoped the Germans would not do would be to ask why they had been left out.

DR. RATHENAU agreed that they would say nothing.

MR. LLOYD GEORGE said that he hoped they would make no direct reference to the difficulties with France. That would be a mistake.

#### *Attitude of United States of America.*

MR. LLOYD GEORGE then asked if the German delegation had any information about the United States of America.

DR. RATHENAU said he had favourable information from Dr. Kahn,<sup>15</sup> who was a good friend of his. Other information was that America would like to speak about the Reparations question and thought that the amount of the reparations to be paid by Germany should be reduced to 45 milliards of gold marks, from which 5 milliards should be deducted for what had already been paid, making a total of 40 milliards in all. He also had information to the effect that America would be prepared to put down a large sum for the service of a loan.

MR. LLOYD GEORGE doubted if a very large sum could be received. During the war Great Britain had found it very difficult to obtain any money in America except for expenditure within the United States. The present Viceroy of India<sup>16</sup> had gone to America and had found in practice that he

<sup>13</sup> See No. 109.

<sup>14</sup> Cf. No. 139.

<sup>15</sup> The reference was presumably to Dr. Otto H. Kahn, the banker.

<sup>16</sup> The Earl of Reading. He had been in the United States as head of the Anglo-French

could only get money from Messrs. Dupont and other munition works, and not for expenditure abroad. The Americans had not the habit for international finance. He asked Dr. Rathenau what sum he had in mind for a loan.

DR. RATHENAU said he would like to obtain one-third of the total amount from America. He was contemplating a total of  $3\frac{1}{2}$  to 4 milliard gold marks, of which he hoped that one-third might be taken by America, one-third by France and one-third by Germany.

MR. LLOYD GEORGE thought Dr. Rathenau was rather sanguine. He knew the difficulty of raising money just now. It was with difficulty that money could be raised for expenditure within the country, but it was very difficult outside. America had the money, however, if she would lend it.

SIR L. WORTHINGTON-EVANS said that America had £600,000,000 in gold.

MR. LLOYD GEORGE said she did not know what to do with it.

At this point there was some discussion as to the vital importance of the next few weeks to Germany, and Mr. Lloyd George asked that if there were any information of great importance it should be communicated to him at once. As Lord Curzon was away<sup>17</sup> it would be useful if the information could be transmitted at once to him by Herr Dufour.

DR. RATHENAU remarked that the next few weeks were absolutely decisive. Even within Germany they were decisive. The spirits of the people in Germany were rather hopeless now. They had attacked the Chancellor, alleging that his policy was responsible for their difficulties.

MR. LLOYD GEORGE said that if there had been any other policy Germany would have been broken up. He considered that a Germany was essential to Central Europe. He thought, therefore, that as a German Dr. Wirth need not have a moment's regret that he had adopted this policy of fulfilment of the treaty.

DR. RATHENAU thanked Mr. Lloyd George for this statement, and asked if he could not say it in public.

MR. LLOYD GEORGE said that Dr. Wirth's policy of fulfilment was absolutely vital. If he adopted the opposite policy, it would give the French just the excuse they needed for action. Dr. Wirth had saved his country.

DR. WIRTH said he must have a chance of extending some hope for the German people within the next fortnight. They must be given something to hope for.

MR. LLOYD GEORGE remarked that one policy was that Germany must go right down before she could rise again, but that was merely a policy of despair. The next few years were the difficult ones for Germany. The civilised world would gradually say that Germany was doing her best and must be given a chance. Then things would get easier.

Financial Mission (September to October, 1915), as British Commissioner (September to November, 1917), and as British High Commissioner, Ambassador Extraordinary and Plenipotentiary (1918-19).

<sup>17</sup> Lord Curzon was ill. The Earl of Balfour took charge of the Foreign Office from May 25 to August 10.

### *Commissions of Control.*

DR. RATHENAU said the point was that the people could not stand the present policy much longer if the persecutions by the various commissions were continued.

MR. LLOYD GEORGE agreed that it made matters very difficult.

DR. RATHENAU said it was a policy of teasing.

### *French Policy.*

MR. LLOYD GEORGE said the German Government should not allow themselves to appear teased; it played into the hands of the Extremist Party in France, whose influence was probably out of proportion to their numbers. He did not believe that the mass of the French people really supported it, but there was a very powerful group in Paris who said that the Rhine was the natural frontier of France. M. Clemenceau had always refused this policy. Some people maintained that in doing so M. Clemenceau had justified himself by the pact of guarantee<sup>18</sup> which had been signed in Paris, and that when the American people refused to ratify it France was justified in reversing her policy. He asked that the German Government should not play into the hands of these people. He admitted that their policy was a very difficult one to take and one which required the greater courage. Germany, however, was a very great country and could afford to wait.

DR. RATHENAU said that even a very little encouragement would help.

MR. LLOYD GEORGE begged that there should be no note of defiance, which would play straight into the hands of Germany's enemies.

### *Withdrawal of Allied Troops from Germany.*

DR. RATHENAU said the least relief would help. For instance, the withdrawal of the Allied troops from the three towns.<sup>19</sup>

MR. LLOYD GEORGE asked that the German Government should not press for this at the moment. If they did, it would give the excuse the French Government desired. The difficulty at present was to prevent the French from going further.

### *Military Commissions of Guarantee.*

DR. RATHENAU said that the German people had another wish. They knew that the military commissions of control came to an end when disarmament was complete. Now it was proposed to have military commissions of guarantee. That was not just, and went outside the Treaty of Versailles. It would be possible, however, to discuss these commissions if relief were given in regard to the three towns.

### *Disarmament.*

SIR L. WORTHINGTON-EVANS thought this point was worth discussing. It was said by some that the military commissions had finished their work and

<sup>18</sup> See No. 2, n. 4.

<sup>19</sup> Following an ultimatum to Germany, the Allies had occupied Düsseldorf, Duisburg, and Ruhrort on March 8, 1921 (see Vol. XV, Nos. 30, 31, 37-47).

that disarmament was complete, but others said that they had not finished, because they were always finding new hidden guns. There had been a recent case of 300 guns built into the walls of a factory.

DR. RATHENAU said they were only gun tubes and not guns. In any case, it was only a fraction of 1 per cent. of the gun armament.

MR. LLOYD GEORGE said that there would probably be a more moderate Parliament in France next year. Meanwhile, he hoped that the German Government would pursue a policy of patience and avoid defiance.

DR. RATHENAU said they were trying to do so, but it was necessary to give their people some hope. Otherwise there would be revolutions, and they would be succeeded by a party which could not go on with their policy.

MR. LLOYD GEORGE said that in that event the crash would come for Germany.

#### *Rumoured Intention to Destroy Railways in the Black Forest.*

DR. WIRTH said that he had heard that in the Black Forest the French proposed to destroy certain railways.

MR. LLOYD GEORGE asked for what reason.

HERR DUFOUR said they were supposed to be strategic railways.

DR. RATHENAU said he had had a telegram to this effect on the previous day. Its meaning was not quite clear, but he understood the proposal came from the Conference of Ambassadors. It was these things that made it impossible to keep the country quiet. He then referred to a note on the Vistula (Appendix II).

There was some discussion on this note, in the course of which DR. WIRTH and DR. RATHENAU repeated what is contained in the note.

DR. RATHENAU said he had spoken to M. Theunis on this subject, and asked him if he knew about it and if he knew what the Conference of Ambassadors was doing. M. Theunis had merely said, 'Does this thing still exist?'

DR. WIRTH said he did not believe that the politicians knew what all these commissions were doing in Germany. General Nollet was the tyrant of the military commission. He tyrannised even over the British member.

(At this point Signor Facta and Signor Schanzer arrived.)

HERR DUFOUR started to read the note on the Ambassadors' Conference (Appendix III).

MR. LLOYD GEORGE said he had undertaken to try and settle the question of Fiume,<sup>20</sup> and that the Italian and Jugoslav delegates had arrived, so he must ask to end the conversation.

#### APPENDIX I.

##### *The 'Schutzpolizei' and the Military Control Commission.*

During the two months preceding the Genoa Conference the Inter-Allied Military Control Commission in Berlin sent the German Foreign Office more than

<sup>20</sup> See No. 119.

100 notes, mostly about paltry matters, particularly about the 'Schutzpolizei.' This treatment is unbearable, and cannot be described otherwise than by the word *chicane*.

The 'Schutzpolizei,' as a police force, is constitutionally under the administration of the German States, not of the Central German Government ('Reichsregierung').

At Spa,<sup>21</sup> Germany was allowed to increase her 'Schutzpolizei' up to 150,000 men, on condition that this police force should retain its local character and not be centralised. These conditions are fulfilled. The Military Control Commission is, however, of the opinion that the German States, by forming a part of this 'Schutzpolizei' into units and lodging these units in barracks, have given this part of the 'Schutzpolizei' an inadmissible military character. Therefore, the commission demands that these units should be broken up and taken out of the barracks, and expects the fulfilment of this order by the 25th May.

A meeting of representatives of the German States was convoked a few days ago in order to discuss the situation.

The 'Schutzpolizei' in all Germany now numbers 85,000. The States are willing to reduce this total number to 50,000. They say it is impossible to go further, otherwise they could not guarantee internal peace and safety. And they contend that this police force must be kept in units, otherwise they would not be able to carry out their task, i.e., to protect life and property in times of severe unrest, and in such cases, as it is for inner political reasons impossible to use the 'Reichswehr' (military forces). If the units were to be broken up and scattered all over the country, it would be impossible to afford this protection. And besides, how could they arm themselves in the way the commission has allowed, namely, 1 rifle on 3 men, 1 machine-pistol on 20 men, 1 tank with 2 machine-guns on 1,000 men? An appropriate use of these weapons is only possible if the police remain in units. It must always be borne in mind that Germany has not yet settled down properly after the revolution, and that conditions there are therefore different to those in Great Britain and France for instance. If the States were to be forced to give up the system of housing the 'Schutzpolizei' in common quarters, there is no doubt whatever that the men, mostly young and inexperienced, would easily fall a prey to Communist agitators and thereby be lost for the use of the execution.

The foreign press often speaks of the 'Schutzpolizei' as a 'second army'. This, of course, is absolute nonsense, first of all, because there is no question of military drill, and secondly, because the local organisation simply prevents the possibility of united action.

## APPENDIX II.

### *The Vistula.*

(An example of the kind of decisions which the Ambassadors' Conference passes.)

The frontier between Poland and East Prussia is formed southwards of the town of Graudenz by the Vistula. Five villages on the east bank of the river have been assigned to Poland. These villages have no connection with Polish territory to the west of the Vistula. At the same time the new frontier cuts them off from their natural hinterland, which is the lowland country of Marienwerder, belonging to East Prussia.

<sup>21</sup> See Vol VIII, Chapter VIII.

Furthermore, the dike, which protects about 20,000 people living round about Marienwerder from floods, is cut by the new frontier in no less than eight places. Thus the German 'Dike Association' ('Deichverband') which on a consortial basis has for more than 400 years kept the dikes in good repair, is no longer able to continue its labours, as a rigorous Polish frontier-control prevents the officials of the 'Deichverband' from working in those parts of the dike which now belong to Poland. And as the Poles do not look after the dikes themselves, there is an imminent danger that the Polish part of the dikes, which have not been looked after since 1919, will go to ruin, whereby the life and property of thousands of people are at the risk of being destroyed.

The Treaty of Versailles guarantees the population of East Prussia free access to the Vistula. But as the Polish frontier runs along the east bank of the river in a breadth of 50 metres, they are in reality cut off from the river, as only one narrow corridor has been left them to reach the water. These are simply impossible conditions which ought most certainly not to be allowed to continue, particularly as quite a number of the East Prussian population is dependent on fishing for their livelihood, an occupation which they are unable to carry out on account of the present political situation.

### APPENDIX III.

#### *The Ambassadors' Conference.*

There is no mention of an Ambassadors' Conference in the Treaty of Versailles. This is a new and special organ which the Allied Governments have placed between the German Government and themselves for dealing with the most vital German matters. The Allied Governments have thereby to a very considerable degree cut off an immediate intercourse from Government to Government, and have given their relations to the German Government a special character, which is not consistent with what is generally considered conditions of peace.

But not only the mere existence of the Ambassadors' Conference is a cause of complaint. It is in particular the way in which they carry out their functions. The long row of their decisions has nearly without exception been pronounced against Germany, and the form of these decisions has invariably been that of the command of a super-ordinated body. The Ambassadors' Conference has in fact become a kind of world-tribunal, which determines the fate of Germany and thereby of Europe. This way of procedure is in contradiction to not only all claim for equality of rights, but also in diametrical opposition to the real character of an institution whose duty it is to fairly settle matters between two disputant parties.

The Ambassadors' Conference is one-sided in its composition just as all the commissions formed by the Treaty of Versailles. But not only that, it has no fixed method of procedure and is not by duty bound to give the opposing party any hearing whatsoever.

Even the Versailles Treaty cannot possibly have foreshadowed or desired such unfair treatment.

#### *Sanctions.*

The decision which the Allied Governments came to after the London Conference of 1921, to occupy the towns of Duisburg, Ruhrort and Düsseldorf, was from the beginning considered in Germany to be an act devoid of all right. And

the fact that the occupation has been continued after acceptance of the London ultimatum is looked upon in Germany as a political act of unprecedented harshness. (As long ago as August 1921 Lord Curzon publicly said, this 'sanction' must undoubtedly be raised at once as there was no *raison d'être* more for it.) The German nation is left under the impression that even their most serious endeavours to carry out the conditions of the Versailles Treaty do not suffice to put an end to the policy of oppression which is imposed on their country. They cannot look upon the continuance of the occupation of the three Rhine towns as sanctions for non-fulfilment of treaty obligations, but as an undeserved and unlawful state of affairs. Thus the German nation is kept under a permanent moral pressure, which if continued will cause it to despair of ever again reaching comparatively normal conditions and thereby undermine the will to fulfil to the best of their ability the conditions imposed upon them. Furthermore, it must be borne in mind that although we are living in so-called times of peace, martial and not civil law rules the above-named towns.

### No. 141

I.C.P. 249B] *Note of a Conversation held at the Villa d'Albertis, Genoa, on Thursday, May 18, 1922, at 6.15 p.m.*

PRESENT: *British Empire*: The Rt. Hon. D. Lloyd George, O.M., M.P., Sir Edward Grigg, K.C.V.O., C.M.G., Mr. Gregory, C.M.G., Mr. Wigram.

*Italy*: Signor Facta, Signor Schanzer, Count Tosti, The Marquis Visconti Venosta, Signor Contarini, Signor Cullini, Signor Giannini.

*Jugoslavia*: M. Ninčić, M. Antonievitch, M. Krstelj.

#### *Fiume.*<sup>1</sup>

THE PRIME MINISTER asked Signor Schanzer to open the discussion.

SIGNOR SCHANZER said that he wished in the first place to call attention to two small points: (1) the desirability of some concession on the part of the Yugoslav Government respecting the concession of facilities for the export of cherries (the raw material of the 'Maraschino' industry) into Zara, and (2) the provision of railway communications with Zara.

M. NINČIĆ said that he could not undertake to include in the convention any special concession respecting the cherry trade, as the purpose of the convention was only to ensure the 'ravitaillement' of Zara, so far as essential commodities were concerned. Neither could he undertake to build a railway to Zara nor to grant to Italian interests a concession for the building of such a railway. Yugoslav public opinion would never tolerate such an undertaking, which would be considered a gratuitous extension of Italian influence in Dalmatia.

THE PRIME MINISTER said the situation at Zara was not unlike that at Gibraltar, which was, like Zara, on the sea coast and surrounded by alien territory.

<sup>1</sup> See No. 110, n. 9, and Nos. 113, 115, and 119.

SIGNOR SCHANZER said M. Ninčić's attitude on the communications question constituted an abandonment of article 9 of the convention, which has been in course of preparation for weeks and had, in fact, been practically agreed between the Yugoslav and Italian experts. (N.B.—The convention is annexed as an annex.)<sup>2</sup>

M. NINČIĆ said that, though the experts might have come to an understanding, he had not at present full powers to agree on this point or to sign a convention including such a clause. He added that he had telegraphed to Belgrade for instructions, but that M. Pašić was away ill and that he had as yet received no reply to his enquiries.

THE PRIME MINISTER then said that he understood there were four sets of difficulties:—

1. Zara.
2. Fiume.
3. The evacuation of the occupied territories.
4. The opening of railway communication with Fiume.

He then read the proposal finally agreed upon by the experts (see Annex).

M. NINČIĆ said that he wished to make more precise the clause dealing with the evacuation of the Dalmatian territory around Zara. The evacuation must take place before the convention came into force.

SIGNOR SCHANZER said that he would accept this if M. Ninčić would say that the convention would enter into force after the evacuation had taken place and was finished.

THE PRIME MINISTER said that this meant that Signor Schanzer accepted.

M. NINČIĆ said that he agreed personally, but could not pledge his Government.

On this understanding, it was agreed that as soon as the convention was signed the evacuation would begin, and that the convention would enter into force when the evacuation was complete (i.e., it was understood that the period between the beginning and end of the evacuation would be about ten days).

SIGNOR SCHANZER then raised the question of the protection of minorities: point 11 of the convention (Annex).

M. NINČIĆ said that it was indispensable to have such a clause, and that the Yugoslav Government would certainly carry out their obligations under the Treaty of Rapallo.<sup>3</sup> The exact clause had not yet, however, taken shape.

COUNT TOSTI said that the text had been prepared by the experts and included in the convention.

SIGNOR SCHANZER said that the convention had been agreed upon. This was a political question. Italian public opinion would insist on the inclusion of such a clause. They would not evacuate the environs of Zara until the minorities had been given protection.

<sup>2</sup> Not printed: for the Agreements and Conventions concluded between Italy and the Serb-Croat-Slovene State on October 23, 1922, see *B.F.S.P.*, vol. 118, pp. 710-50.

<sup>3</sup> See No. 110, n. 10.



M. NINČIĆ said he could not include such a clause without special permission from his Government.

THE PRIME MINISTER said M. Ninčić must take some risks.

M. NINČIĆ said he had only learnt of the inclusion of this particular clause a few minutes before, and that he had had to refer to Belgrade.

THE PRIME MINISTER asked if the experts had not already agreed to the inclusion of this clause in the convention.

MR. GREGORY said that the experts had definitely stated that there were no points of importance outstanding.

M. KRSTELJ admitted that the experts had made this statement.

As M. Ninčić refused to give way, it was decided to consider the question of Fiume.

SIGNOR SCHANZER said that, as regards Fiume, what he wanted was that the Jugoslavs should agree in the presence of the Prime Minister to some system of common administration of the two ports of Fiume and Baros.

THE PRIME MINISTER said that when he was President of the Board of Trade<sup>4</sup> he had had much experience of the working of ports. The line indicated in Count Sforza's letter was in his opinion quite impracticable. If it was to work, there would have to be a Mixed Commission to look after the two ports in common. Ports were not the kind of places in which anybody could risk having riots. He therefore thought that the two ports ought to be administered by a committee of experts. If the Jugoslavs and Italians liked they could always bring in experts from some third country. If necessary, he (Mr. Lloyd George) was quite willing to send them out a British expert or experts to help them.

M. NINČIĆ said that the words 'harbour service' in Section 2 (c) of the convention had been specially employed because they got round the difficulty of whether it was intended to cover one or two ports. If, however, the experts, when they examined the question, said that a single port administration was necessary, then Jugoslav public opinion would understand.

THE PRIME MINISTER said that this was very important. There was no use quarrelling about small things like a quay at Fiume.

SIGNOR SCHANZER said he must declare that the Italian Government meant that the administration of the two ports of Fiume and Baros should be a common administration.

M. NINČIĆ said that the experts must pronounce an opinion first.

THE PRIME MINISTER said that he very much hoped that the experts could agree, and he repeated his promise of the assistance of a British expert if necessary.

The Prime Minister then said that there only remained the question of the protection of minorities. Could not M. Ninčić take responsibility for coming to an agreement on this point?

M. NINČIĆ said that his public opinion was very susceptible on this point and that he could not take responsibility.

SIGNOR SCHANZER said that he spoke in a conciliatory spirit, and asked

<sup>4</sup> 1905-1908.

M. Ninčić whether he would be willing to agree to sign the convention as it stood, reserving the question of minorities until he had had time to consult his Government.

THE MARQUIS VISCONTI VENOSTA suggested that both the Ministers for Foreign Affairs might sign the document agreeing to recommend their respective Governments to accept the convention, reserving in the case of M. Ninčić the question of minorities.

M. NINČIĆ said he preferred that the Prime Minister should recommend the acceptance of the convention to the Italian and Yugoslav Governments. He preferred to sign nothing.

(The meeting then closed.)

*Hotel Miramare, Genoa, May 19, 1922.*

## No. 142

*Minutes of the Third Plenary Session of the Genoa Conference,<sup>1</sup> held at the Palazzo San Giorgio, May 19, 1922, at 9 a.m.*

The meeting opened at 9.15 a.m., Signor Facta (*Italy*) in the chair.

THE PRESIDENT, speaking in Italian: In accordance with Article 12 of the rules of procedure, as no objection has been made to the minutes of the second plenary meeting, which have been distributed, they are considered as adopted. I propose that the resolutions on the questions of finance and of transport, which were approved at the second plenary meeting of the conference, shall be reprinted and annexed to the minutes of the present plenary meeting. They will thus form annexes 1 and 2 to these minutes.<sup>2</sup> If there is no objection, these motions will be considered as adopted.

(The motions were adopted.)

THE PRESIDENT, speaking in Italian: I call upon M. Colrat, president of the Economic Commission, to speak.

M. COLRAT (*France*), speaking in French: The economic problems of the present day are of so wide and complicated a nature that the commission of which I have had the honour to be president might well have found in its very title an excuse for ambitious resolutions. I wish my first words to be a tribute to the wisdom of the statesmen who have composed it. They have not judged it necessary, or even useful, to offer to a still-bruised and suffering Europe the cold comfort of those high-flown resolutions which fall from the lips of theorists with an air of oracular solemnity. They merely offer, in a frank and unpretentious spirit, advice based on long experience. These counsels are not being enunciated for the first time. Recent events, however,

<sup>1</sup> The minutes of this plenary session and certain other documents were printed in 1922 by the Italian Government in an edition prepared for The Hague Conference entitled *International Economic Conference of Genoa, Procès-Verbaux and Documents Relating to the Russian Question, April–May, 1922.*

<sup>2</sup> See No. 109, Annex.

have shown that it is unwise to neglect or despise such counsels. The fact that they have stood the test of long and painful experience is a proof of their truth and vitality. The Third Commission of the Genoa Conference does not claim to have invented them. It has only retrieved them from the mass of misconceptions, which are as ancient as the counsels of common-sense, but far more dangerous.

First and foremost, the commission has observed that certain problems of world economy, grave though they may be, call neither for joint discussion nor for common action. At a time when disorganisation and its disastrous consequences are world-wide, nothing, perhaps, is more serious than the disorganisation of production. Almost everywhere, the war has created industries which cannot continue to thrive, by reason of the nature and habits of the countries in which they have been set up. Industries which were normal before the war have been developed to an abnormal and altogether excessive extent. There has thus arisen an economic nationalism which aims at producing everything, irrespective of the needs of consumption, and without consideration of the costs of production. The economic harmony of the world depended upon a just division of labour between peoples. It has been destroyed by a blind and presumptuous megalomania which the nations must recognise and eradicate. That, however, is a question of national economy. Each nation must resolve it on its own account by the adjustment of its industry to its natural wealth and its acquired capabilities. The commission has very rightly considered that it could not lay down binding rules for this adjustment, since they would necessarily be of a varying character. It would be vain to deny, and it is not without advantage to proclaim, that this adjustment is desirable, and even urgently desirable, and that it is of the greatest importance for the general stability of international trade. The commission has also judged it desirable to draw attention to the predominant part played by agricultural production in the reconstruction of Europe. The artificial industries of which I have spoken, by drawing the peasant classes away from land, cause over-production on the one hand, and under-production on the other, thus resulting in a double evil. The whole world needs agricultural prosperity. It needs it, above all else, because under-production in agriculture results in famine. It is the unanimous opinion of the Economic Commission that one of the most effective means of restoring a state of healthy equilibrium to Europe is the equipment, instruction and betterment of the peasant classes. Its recommendation on this point is of the highest utility.

No less importance must be attached to the resolutions regarding raw materials. Since 1916, the question of raw materials has become an extremely urgent one. During the war, the growing scarcity of these materials, the lack of foreign exchange and the shortage of tonnage caused many countries to buy, transport, and distribute in common fuel, oil, fertilisers, textile raw materials and most kinds of minerals. Immediately after the war, when markets were suddenly freed from restrictions, the eagerness of buyers to satisfy their requirements, often real and sometimes imaginary, resulted in a

considerable increase in prices. This had a double consequence; first, that manufacturers and middlemen no longer maintained normal stocks, and secondly, that consumers held back and restricted their purchases. After this wild boom came the slump. To-day, prices for most raw materials, quoted in dollars, have returned to their 1913 level. The manufacturer and the middleman, however, are still at sea, whilst the buyer still holds aloof. The period of speculation following on the conclusion of peace has resulted in industrial, commercial and social turmoil. In order to counteract it, countries have prohibited, restricted and heavily taxed the trade in raw materials. Countries are, of course, free to take these measures. They may dispose of their resources as they will, and devote them wholly to the national requirements, if they think it essential or if they fear a shortage. There is, however, a great temptation to abuse this right by converting measures of precaution into measures of aggression, extending to the superfluous what is only required for the necessary, and systematically selling to foreign manufacturers only under conditions which paralyse competition. The commission has endeavoured to find, and believes it has found, effective guarantees against such a system. I am happy to observe that, though they were first proposed by France at the opening of the Peace Conference, it was the perseverance of M. Rossi which secured their acceptance at the Genoa Conference. The Economic Commission has endeavoured to deal with the problem of international trade in the most systematic and practical fashion.

The resumption of commercial intercourse between nations and the restoration of the channels of trade, which the war had obliterated or diverted, were undoubtedly an essential condition for the economic restoration of Europe. At the present time, taking as a basis of comparison the tonnage of goods exchanged in world trade rather than their values, which have undergone disproportionate changes, we find that world trade has fallen by one-half compared with 1913. We can hardly, therefore, be surprised by the falling off in production, by unemployment, by the stagnation of the raw materials market and by the glut in freights. It is true that the alarming fall in the purchasing power of the peoples impoverished by the war, or compelled to repair the damage caused by it, is the root cause of this phenomenon; but it must be admitted that the decrease in the volume of trade is also due to the artificial and restrictive régime which has been established in Europe since the war. This régime is partly due to the fact that territorial changes have broken up certain economic systems, which had been organised as a unit, without regard to racial autonomy and the divergence of political aspirations. Your commission has felt bound to recommend the restoration, by means of conventions and agreements, of the old channels of trade, with the changes necessary to meet new European conditions. But the abandonment of the freedom of trade of bygone days has done more to multiply frontiers and to raise barriers than the changes made in the political map.

I have already said that the concentration of economic forces during the war resulted almost everywhere in placing in the hands of the State a

considerable part of production and almost the whole of foreign trade. Control of foreign exchange, and consequently control of purchases in foreign countries, control and rationing of raw materials, control and co-ordination of national production, control and restriction of the consumption of foodstuffs, and of all articles of which there was a shortage, control and direction of exports, control and requisition of shipping—all these combined to produce a sort of international State Socialism, the harmful effects of which continued for many long months. After the conclusion of peace, many countries still hoped to find salvation in an artificial economic system. It is true that the disturbances caused by the war urged them in this direction. The strongest had been weakened; the most active were without machinery or raw materials; the very inequality of conditions of production resulted in the adoption of unprecedented methods of trade, the consequences of which were aggravated by the instability of the exchanges. One cannot feel surprised that countries desired to protect themselves against the menace of stronger competitors. But during the last few months, protective customs tariffs have assumed forms which are particularly drastic and insidious, and which, though of little real use to the countries which they are intended to protect, expose other countries to unfair handicaps. It is time to return to a sounder economic system, more in accordance with the equitable treatment of commerce which the Covenant of the League of Nations guarantees to all peoples. The peace of the world depends upon the restoration of the commercial treaties which united peoples, and of the methods which were followed in the conclusion of those treaties.

In dealing with tariffs, your commission endeavoured to respect the freedom of the various countries, which must be able to direct their national economy and to provide their own fiscal resources as they please. It aimed merely at preparing the way for placing tariffs on a more stable basis. It has, however, arrived at a decision regarding certain problems the solution of which is of importance for the reconstruction of Europe. I have referred to the guarantees contemplated for trade in raw materials. I must add the recommendation relating to the supplementary taxes on goods carried under a foreign flag, in other words, trade discrimination based on the nationality of the carrier. The articles concerning import and export prohibitions embody a doctrine tending to restore more equitable and more liberal conditions, without ignoring the sovereign rights and special conditions of the various countries.

With regard to agreements, the commission did not confine itself to recommending the conclusion of commercial treaties. Convinced of the impossibility of removing by means of uniform regulations the inequality resulting from the varying conditions of production and differences in rates of exchange, it has defined the measures by which countries which are parties to agreements should comply with the requirements of the equitable treatment of commerce guaranteed by the Covenant. The commission did not wish at the present moment to impose an exclusive choice between the three theories on this subject, which divide the world. The resolution which

it has adopted permits of judicious adjustment to circumstances. The majority of the commission showed a preference for the most-favoured-nation system; but it expressed this preference only in a note, thus indicating that it did not feel, under existing conditions, that its views could be set up as a universal rule.

Gentlemen, with this word of caution I conclude. You have now to discuss the recommendations which we submit to you. I can only ask you to adopt them as your own. I know better than anyone the labours of which they are the result. The delegates of the nations represented at Genoa were all conscious of the solemnity of the moment and of the importance of the discussions. Each one of them was the spokesman of a nation, and each one expressed the thought and the will of his people with the force of eloquence and the authority conferred by past services. Nevertheless, all aimed at incorporating that thought and that will, without impairing them, in a common thought and a common will, because each, in defending the interests of his own country, was desirous of contributing wholeheartedly to the restoration of Europe. For Europe is to them not merely a geographical expression, not merely a vague and mystic 'super-fatherland'. In their eyes, Europe towers above the ruins of the present, in spite of everything, and represents the great traditions of the past and the hopes of the future.

Gentlemen, if this tradition is to be preserved, if this hope is to be realised, the workers in every factory in Europe must carry out their task, filled with pride in their rights and rejoicing in the restoration of peace; manufacturers must evince a spirit of moderation and justice; men of business must consider their word as their bond; and peoples as well as individuals must respect that great pact of moral reciprocity, of which Chesterton has so well said that it is the bridge over the abyss. May I be allowed to say, on this sacred soil, where international law has its origin, that Europe is based upon respect for treaties? To fail in such respect would be to work against Europe and against the spirit by which the delegates of the nations assembled at the Genoa Conference have been animated.

THE PRESIDENT, speaking in Italian: I call upon Signor Rossi, delegate of Italy, to speak.

SIGNOR ROSSI (*Italy*), speaking in Italian: The president of the Economic Commission has furnished us with a clear explanation of, and an interesting commentary upon, the resolutions which are submitted for the approval of this assembly. Thanks to his explanation, we have all been enabled to form an idea of the great importance of these resolutions, and of the liberal spirit in which they are conceived. I have no wish to add anything to the succinct remarks of the president of the Economic Commission, but perhaps, in view of the fact that, as president of the Italian delegation in the Economic Commission, I have proposed and defended the most liberal measures in questions of economic policy, I may be allowed to dwell for a moment upon the great importance of the resolutions which have been adopted, and upon the immense advantages which may be derived from them if they are accepted and unconditionally applied without delay by the Governments.

Gentlemen, if we compare the economic policies followed by the various countries before the war with those which have been followed since the war, and which are still unfortunately in force, we cannot but be grieved by the spirit of protectionism, intolerance, and I would almost say, exclusion, which prevails in the world of economics. Before the war, import and export prohibitions were almost exclusively prohibited by commercial treaties. It was recognised that all measures of restriction were incompatible with economic co-operation between nations, tending as they did to prevent the agricultural and industrial products of one nation from entering the territory of others, and to prevent the raw materials of one country from going freely to other countries which had need of them. To-day, import and export prohibitions established during the war for reasons of prime necessity, still exist in several countries, and are regarded as essential for economic and financial reconstruction. Such restrictions, however, form a barrier to international commerce, characteristic of this disastrous [post]-war period, and at the same time a weapon of economic policy, which is used as often for offensive as for defensive purposes. Before the war, even the highest customs duties only represented a small percentage of the value of the goods. To-day, some of the customs duties in force actually exceed the total value of the goods; they are measures of prohibition rather than of protection. Before the war, it was an established principle that all commercial treaties should be based upon the most-favoured-nation clause; it was recognised that sound international trade must infallibly be based upon equality of treatment. Since the war, the economic policies followed by the various countries have departed further and further from a principle which is indispensable for free competition in the international market, and for the most advantageous results in matters of general economy.

What have been the effects, the results of this policy of economic exclusion? We all know and regret such results. Whilst the countries which are economically weakest, and whose currency is most depreciated, have required increased production and export to improve their economic conditions and to secure the appreciation of their currency, the barriers raised against them by countries with stable currencies have obliged them to reduce their production and to diminish their exports, with the inevitable and well-known consequences of unemployment, growing instability of their trade balance, and finally, further depreciation of their currency. Thus, the countries with a stable currency, thinking to defend themselves against the competition of countries with a depreciated currency, have only accentuated the condition of temporary advantage which they hold over the latter as a direct result of the instability of the exchanges. They have, moreover, done their utmost to decrease the purchasing power of countries with a depreciated currency, and by that means to reduce their own possibilities of export. Countries with a depreciated currency, on the other hand, thinking to defend their own economic system and increase the value of their currency, have surrounded themselves with increasingly impenetrable barriers, thus providing countries with a stable exchange with

a new excuse for raising fresh barriers against them. The vicious circle which connects debtor and creditor countries must be broken; step by step, we must regain that freedom in international trade by which alone we can emerge from the crisis through which we are passing, and, when the crisis is passed, ensure to the nations the greatest measure of economic well-being.

The proposals which I have had the honour of submitting to the conference on behalf of the Italian delegation all make for the recognition of that economic solidarity which unites even countries which are politically divided, and for the restoration, within reasonable limits, of the free competition in the international economic field which is the source both of economic well-being and of social progress. Allow me also to observe that the proposals submitted by the Italian delegation were not of a merely theoretical character, but, as far as the difficult conditions at present prevailing allowed, were entirely in harmony with the economic policy which Italy has followed and intends to follow. Italy has also, during the war, been compelled, by reasons connected with her most vital interests to have recourse to very rigorous restrictive measures. She was also, immediately after the war, compelled to take account of the changed economic and industrial conditions, and to adopt the necessary customs provisions. The restrictive measures adopted during the war have now, however, been almost entirely abolished, and the economic and customs policy adopted by Italy is the same which in the past made possible fruitful economic agreements between different countries. The proposals of the Italian delegation have all been approved in principle, but have been qualified by various limitations and reservations which were rendered inevitable by the different conditions prevailing in the various countries represented at the conference, and by the necessity of passing gradually from a system of economic policy, bristling with barriers and obstacles, to the most liberal system possible. It is a most significant and important fact that the liberal principles proposed by the Italian delegation have met with the unanimous approval of various countries where economic conditions are so different.

The Genoa Conference constitutes not only the clearest pronouncement as yet made in favour of a return to that economic collaboration and solidarity which existed before the war, and which contributed so powerfully to the progress of Europe, but also the most authoritative condemnation of the restrictive systems which have been one of the principal causes of the evils from which we are all suffering. It is therefore legitimate to affirm that the work accomplished in the economic sphere by the Genoa Conference is of incalculable importance, and is destined to exert the most favourable influence on international trade.

At the last sitting, my eminent colleague, Signor Schanzer, after calling attention to the efforts made by Italy to reduce her budget expenses, made the following statement:—

We have considered the reduction of our expenditure not only as a duty towards ourselves, but also as a duty towards other nations, whose normal



economic life and prosperity are intimately bound up with the economic and political stability of each member of international society.

Allow me to say, Gentlemen, that these words may also with perfect justice be applied to the economic policy which Italy has consistently followed, and for which she has endeavoured to win acceptance at the Genoa Conference. Allow me also to express, together with the satisfaction which I feel at the explicit and authoritative recognition given by the conference to these principles, the hope that each country, not only in its own interest, but also in the interest of the other members of international society, will renounce that policy of economic exclusiveness which is contrary to the material well-being of the nations and to their complete pacification. Intimately connected with economic questions are labour questions, and in regard to these I will ask you to allow me to make certain statements on behalf of the Italian delegation. The Italian delegation, while welcoming the formulation by the Economic Commission of solemn resolutions dealing with labour questions, would have preferred that the attention of all States should have been drawn in a more explicit manner, and without reservation, to the desirability of adhering to the draft conventions and recommendations adopted by the international labour conferences.

Italy cannot refrain from reaffirming on this occasion her profound confidence in, and her unconditional sympathy with international social legislation, and with the organisation created by the Peace Treaty for the elaboration of such legislation. The votes given by the Italian Government delegates at the international labour conferences in favour of the various draft conventions and recommendations, represent for the Government and for the Italian nation a moral obligation of the highest order; and the Italian Parliament, which has recently authorised the Government to ratify several of these conventions, and particularly the Washington Convention<sup>3</sup> concerning unemployment, is preparing to examine the other conclusions of the Labour Conference in the same favourable spirit towards the development of international legislation for the protection of the workers, which should animate democracies in general, especially in countries interested in emigration and immigration movements. The desire for an equitable and adequate protection of emigrants inspired a proposal submitted by the Italian delegation with the object of securing the traditional currents of emigration, and special facilities for skilled workers. The Italian delegation was most anxious that these principles should be accepted, and is confident that they will finally prevail in the future. Italy, for her part, is glad to be able to state that her services of State supervision of emigration, co-ordinated with the international labour exchange and unemployment services, will enable her to assist in the most effective manner in the rational employment

<sup>3</sup> For the draft conventions and recommendations of the International Labour Conference held at Washington, October 29–November 29, 1919, see *L.N.O.J.* 1920, p. 26: for the memorandum and resolution concerning the Washington Conference adopted by the Council of the League on May 19, 1920, see *Procès-Verbal of the Fifth Session of the Council of the League of Nations held in Rome from 14th to 19th May, 1920*, p. 7 and pp. 123–7.

of the forces of labour. The Italian delegation, which advocated a resolution of sympathy for co-operative institutions, which was not accepted by the commission, desires finally to express its gratitude for the co-operation in the work of the Genoa Conference offered by the workers, who have made their voice heard through the medium of the international co-operative and trade union organisations, in which institutions the workers cultivate a sense of their own responsibilities, and learn by experiment to appreciate the other factors which contribute to production in close union with labour.

Gentlemen, the fundamental principle inspiring all the economic resolutions is the return to freedom of trade. The fundamental principle inspiring the labour resolutions is the moral and social elevation of the workers. These two great principles constitute the basis of that economic and social progress which, arrested for a moment by the great war, must resume its march and accelerate its course for the well-being of humanity and the pacification of the nations.

THE PRESIDENT, speaking in Italian: I call upon Dr. Rathenau, delegate of Germany, to speak.

DR. RATHENAU (*Germany*), speaking in French: The conclusion of the economic labours of this conference allows us to consider the historic value of a work which will be more and more appreciated as the years come and go, and in return for which the gratitude of the whole of Europe is secured for the Genoa Conference. Nevertheless, it would be undue optimism to expect that the conclusion of these labours can bring a remedy of a notable and immediate kind to the crisis from which the whole world is suffering. The situation of the world will only be really improved when the soundness of certain principles is recognised—principles which have been clearly shown during the deliberations of the commissions, and with ever-increasing clearness, although they have not been completely expressed in the resolutions adopted. Whilst confining myself within the limits set to the labours of the conference, I will try to point out four truths which, although they have not been expressly stated, seem to me to result from our deliberations, and which, I believe, are the necessary foundations for the re-establishment of the economic status of the world. The first of these truths is the following: The total indebtedness of the several countries is too great, compared to their productive ability. All the leading countries of economic importance find themselves enclosed in a circle of indebtedness which makes them almost all, at the same time, creditors and debtors. In their capacity as creditors, these countries do not know how much they will recover of the sums due to them. In their capacity as debtors, they do not know how much they owe, and how much they will be able to pay. This is why there is not a country to-day which can draw up a budget based on real facts. There is not a country to-day which can risk creating large new institutions to improve its national economy and to fertilise the world's markets. There is not a country which can hope to stabilise its budget and the rate of its exchange, with the one exception of that great country which is a debtor to nobody, and which is a creditor of all, and without the help of which the final

restoration of Europe is impossible. More especially, the countries which are apparently overburdened with debt cannot obtain the means which they need. On the one hand, no new creditor is willing to give them new credits; on the other, already overburdened with debt, they would not dare to accept such credits. Nevertheless, if the States were indebted one to the other, all these debts would be proportioned to their productive capacities, and would correspond, moreover, to their productive investments,<sup>4</sup> whereas, the debts that exist at present reach figures in excess of those that the States in question are able to reimburse over a period covering several decades. These debts do not, therefore, represent financial realities. They do, however, represent economic realities, inasmuch as they hinder the process of world production. Consequently, the only way that remains open is the one adopted by individuals in their economic relations, in cases where the debts of an undertaking exceed its productive capacity. That is to say, the only way is the gradual rehabilitation and reduction of indebtedness.

The second of these truths, which has not been stated at Genoa, seems to be the axiom that no creditor should prevent his debtor from repaying his debts. When an individual owes money to another, he can insist that the repayment shall be made in a certain currency. It is the business of the debtor to procure this currency, which, within certain limits, can always be obtained on the world market. But when it is a question of a country being indebted to another country, it is not possible in the long run to reimburse these debts in gold. If that country does not produce gold, or does not possess enough gold, it can only effect repayment in goods. Repayment in goods, however, is only possible in so far as the creditor allows it. When the creditor objects to such repayment in goods, the insolvency of the debtor will soon follow. If the creditor, instead of facilitating, prevents this method of payment by imposing customs duties and other obstructive measures, the total of the debt will be arbitrarily increased, or it will be necessary to produce yet more goods. The depreciation of the means of payment automatically increases the total amount of the debt. Each country desirous of receiving payment, should therefore grant its debtors facilities of import, such as will enable them to reimburse their debts without unduly increasing them.

The third truth has been brought out yet more clearly than the others. It is that which is comprised in the theory which says that world economy can only be re-established with the re-establishment of an imponderable quantity, that is to say, mutual confidence. But this confidence will only return to the world, when mankind is living in real peace. If the present condition of the world is not one of war, it nevertheless resembles war in many respects, and in any case, it is not a real peace. Unfortunately, in many countries, public opinion is not yet demobilised. The after-effects of war propaganda have not yet disappeared, and they still render the

<sup>4</sup> In the printed version (see n. 1), the text ran as follows: 'Although the States were formerly indebted one to the other, all these debts were nevertheless proportioned to their productive capacities, etc.'

atmosphere heavy. That is why anyone who trusts his money and his labour to a country has to run the risk that circumstances beyond his control, the cause of which cannot be sought in natural phenomena, but which depends on political events, may in a short time modify or damage the situation of the country in question. The world is still far from having recognised that an impoverished debtor needs to be treated kindly, and that he becomes incapable of payment if his last resource—his credit—is destroyed. Indeed, these imponderable forces which hinder exchange, formerly so active in the process of world production and consumption, are evident from the fact that the means of world production have remained almost what they were before the war. Even if we take into account all the distressing and deplorable ravages of the war, and also of the period since the war, we may still hold that more than 90 per cent. of the total means of production of the world and of the total system of world business still exists. As far as the enormous and deplorable destruction which has occurred in the interior of Russia is concerned, it only affects world trade to the extent of 3 per cent. In spite of the terrible loss of human life occasioned by the war, even the forces of human production have been preserved for the most part; for human necessities have filled up the gaps in a proportionate measure.

We can, therefore, say that the mechanism of the world is not working, although the substance and the motive power are almost intact. On the one hand, millions of labourers are condemned to unemployment; on the other hand, millions of human beings are suffering from hunger. On the one hand, enormous quantities of merchandise are accumulated and unsaleable; and, on the other hand, there is a crying need for this same merchandise. Whence come these phenomena? To say nothing of reciprocal indebtedness, which in itself contains a psychological factor, these phenomena result from other psychological factors, determined by the lack of real peace and by the lack of mutual and universal confidence. When we ask if the means exist to revive commercial exchanges between the several countries of the world, and to start once more the mechanism of world production, we come inevitably to the fourth point, which has not been stated, but which I wish to make. It will be seen that it is not sufficient to have the efforts of one nation, or of two nations, to revive the whole of world economy, but for this purpose we need the collaboration of all nations. Thus, how is it possible, after a series of unparalleled destructions, for the world to be cured, unless all the nations of the world consent to a common sacrifice? Only world-wide sacrifices can help this suffering world to recovery. Reconstruction has never been possible without finding new funds. Such funds, however, cannot be found so long as each unit in the system of world economy is, with few exceptions, in debt. The first sacrifice that all should make should consist in reducing the great circle of reciprocal indebtedness. But there is a further sacrifice to be made: to use all efforts to find the ample funds required for purposes of reconstruction, either by means of universal and mutual credits, or by other means, into the details of which we cannot go to-day. That the Genoa Conference has brought all the nations of Europe together to discuss and to

understand the bearing of these questions, is a fact which will remain memorable in the history of Europe. Another result of historic importance is the fact that a rapprochement has been effected with the great Russian people, so grievously tried, and that Russia has been once more brought into contact with the other European nations. The members of the German delegation are happy to have contributed to the best of their ability in conciliating the several points of view. Germany hopes that the labours of Genoa will form the basis for a real work of peace between the East and the West. Thanks to the protection and the assistance which Italy has granted to this work of peace, this magnanimous nation has acquired a right to the deep gratitude of the whole world. The history of Italy is an ancient one, more ancient than that of most European nations. More than one great world movement has had its origin on this glorious soil, and once more let us hope that the peoples of the world are raising their eyes and their hearts, and not in vain, to this Italy, with the fervant hope which Petrarch expressed in his immortal words: 'lo vo gridando: O pace! pace! pace!'

THE PRESIDENT, speaking in Italian: If nobody wishes to speak, the debate on the motions is closed. I will put the motions to the vote, with the reservations which certain delegations wish to make. Since M. Chicherin wishes to speak, I call upon him to do so.

M. CHICHERIN (*Russia*), speaking in French: Now that the moment has come for the Economic Commission to pass its resolutions, I cannot refrain from recalling the main objections which were formulated by the Russian representatives in the course of the labours of the commission. I cannot but repeat that the Russian delegation finds abnormal, in the highest degree, the fact that the composition of the Technical Committee, which had to deal with questions of labour, should have been fixed by the personal decision of the president of the First Sub-Committee—

M. COLRAT (*France*), speaking in French: I wish to speak.

M. CHICHERIN (*Russia*), speaking in French: —and the fact that amongst the members of this committee there should have been included no representatives of Russia. The Russian delegation has already protested against its exclusion from the Technical Committee.<sup>5</sup> The fact is all the more strange because the very constitution of the Russian Republic is founded on labour organisations. The results of this exclusion are visible. Chapter VI of the report of the Economic Commission, which deals with labour questions, opens with a general remark stating the importance of the assistance of the workers in the economic restoration of Europe. Yet we do not find in this chapter what would be most necessary to the working classes. We do not find a mention of the legislation for the protection of workmen, leaving aside the question of unemployment. We do not find, either, any proposal concerning co-operative societies, although the latter are an instrument [*sic*] of the highest value for the improvement of the conditions of the working classes. It is to the highest degree to be regretted that, in the course of the labours of the First Sub-Committee, the proposal about co-operatives should have

<sup>5</sup> In the Plenary Session of May 3 (see No. 109).

been rejected. But there is something else. Article 21, which mentions the conventions of the Labour Conference of Washington, deprives those conventions of a great part of their practical importance by confirming the right of the members not to ratify them. This final phrase of article 21, which the Russian delegation in vain tried to suppress, is explained by the desire of certain Governments, such as Switzerland, not to accept the eight-hour day. The Russian delegation considers the eight-hour day as a fundamental principle of the welfare of the workers, and raises a formal objection against the liberty explicitly given to the Governments not to apply it. In the same way, when the conference was presented with a memorandum of the International Federation of the Amsterdam Trade Unions, stating that a minimum of social justice as regards the workers was the indispensable condition of the restoration of peace, this memorandum was not even taken into consideration. The Russian Government, which does not recognise the League of Nations, cannot either recognise its international labour office. But this does not in any way modify its point of view on the flaws in the decisions of the Economic Commission on labour questions. All the other objections or reservations which our delegate has raised against the decisions of the commission remain in force so far as we are concerned. I also repeat here specially the reservations already made as regards the labours of the Second and First Commissions, regarding the full and entire freedom of action which Russia will retain as regards the provisions which entrust the League of Nations with official missions. Lastly, the Russian delegation must state that the general impression left by the report of the Economic Commission is that it is shorn of that boldness which is indispensable if it is really intended to undertake the work of general reconstruction. A whole set of measures is needed, a new political orientation such as I have sketched in its main lines at the opening session of the Genoa Conference.<sup>6</sup> It is with these reservations and objections that the Russian delegation, while declining to accept certain details, accepts the report of the Economic Commission in its entirety.

THE PRESIDENT, speaking in Italian: I call upon M. Colrat, delegate of France, to speak.

M. COLRAT (*France*), speaking in French: The Russian delegate having directly and personally introduced the name of the president of the commission into the debate, I must answer him in two words. It is not exact to say that the Russian delegates were excluded from the sub-committee on labour questions. What is right is that they did not sit amongst the reduced committee. I will state the reason, and M. Chicherin will find that, if he was not included, he was in very good company amongst those who did not sit. The reason was this. We found that the members of the Russian delegation came so rarely to attend the debates on labour questions, that we thought that they were not particularly qualified to take part in the discussion. As regards the general charges which have been brought against the commission, my colleague here will not permit me to answer them in full.

<sup>6</sup> See No. 67.

All I will say is this, that the head of the Russian delegation is little qualified, in the present economic state of his country, to come and try to give lessons to other peoples.

THE PRESIDENT, speaking in Italian: I call upon M. Motta, delegate of Switzerland, to speak.

M. MOTTA (*Switzerland*), speaking in French: I have listened hitherto in silence to the debate on the report of the Economic Commission. It was my intention to keep silence to the end, in the desire to preserve on this occasion a proper spirit of modesty. But an allusion has been made, in the declarations of the head of the Russian delegation, to the action of my country in the matter of the Washington Conventions, and that allusion I cannot allow to pass without comment. I would point out that the attitude of the Swiss Government with regard to the Washington Conventions is known.<sup>7</sup> It has been loyally communicated to the Labour Office. It has been communicated to the several commissions here, so that the attitude is really clearly known. I cannot, however, allow this misunderstanding to which the remarks of the Russian delegate may have given rise, to pass without notice. While the Swiss Government considers that the Washington conventions are perhaps too schematic, too cut-and-dried for the needs of the case, I wish to point out that the eight-hour day exists in Switzerland in industries and in the public services. But the Swiss Government wishes to retain the right to modify, if necessary, and to see the results of the legislation concerning hours of work, and to make any modifications which experience may show to be necessary in adapting that legislation to real needs. I would point out that I am not here as a representative of a class. I am here as the representative of the whole of my country, and while my country may not consider that the present legislation is final, though it may need amending and adapting to circumstances, I must point out that the Swiss Government aims at a broad humanitarian policy and that my country is essentially a democracy—the oldest democracy in Europe—and one in which the interests and needs of all classes, and especially of the working classes, are fully taken into consideration.

THE PRESIDENT, speaking in Italian: I do not think it is necessary to continue the debate. The resolutions of the Economic Commission will therefore be considered as adopted, with the reservations which are noted in the minutes of the meetings of the commissions and sub-commissions. These reservations will be inserted in the definitive edition of the report of the commission. The resolutions in question will form Annex 3 to the minutes of this meeting. We will now pass to the resolutions of the First Commission. I call upon the *rapporteur*, Signor Schanzer, delegate of Italy, to speak.

SIGNOR SCHANZER (*Italy*), speaking in French: I have the honour to submit for the approval of the conference the document which was approved

<sup>7</sup> On May 1, 1922, at the Fourth Meeting (C.E.L. 4) of the Special Committee on Labour Questions, appointed by the Economic Sub-Commission at its Eighth Meeting on April 27, 1922 (C.E.S. 8), M. Schulthess, the Swiss delegate, explained his government's attitude towards the Washington Convention.

yesterday by the First Commission,<sup>8</sup> and which refers to the continuation at The Hague of the discussions begun at Genoa with the representatives of the Russian Soviet Republic, with the object of reaching an agreement on the questions of debts, private property, credits, and of a pact of non-aggression. I think I should give the conference a brief description of the various phases of the discussion of the Russian question,<sup>9</sup> from the beginning up to the present time, and explain how the commission came to adopt the document which I am submitting. The first phase of the discussion of the Russian question began at the first meeting of the sub-commission, when the memorandum drawn up by the Allied experts in London was submitted to the Russian delegates, as a basis for the settlement of the three groups of questions which it was necessary to solve in order to reach a general agreement with Russia, that is to say, liquidation of the past, conditions for the future, and measures to facilitate an immediate economic reconstruction of Russia. Private meetings took place between the Russian delegates and the representatives of the countries whose experts had drawn up the memorandum. During these meetings it was endeavoured to settle questions relating to the liquidation of the past. A short memorandum, setting forth the principles for the solution of the questions of debts and property, was drawn up on the 15th April, and submitted to the Russian delegation, which replied by the note of the 20th April. A special committee of experts was set up immediately to continue the discussions with the Russian delegation on the basis of the note submitted on the 20th April. The experts held four meetings, on the 22nd, 23rd and 24th April, but it appeared clearly from their discussions that the two parties were not yet within sight of agreement. On the basis of the document submitted by the Russian experts at the meeting of the 24th April, and with the addition of certain considerations dealing with the Russian problem as a whole, and certain conditions which were essential for a renewal of economic relations with Russia, a memorandum was drawn up and submitted to the Russian delegation on the 2nd May. M. Chicherin replied to this memorandum in his note addressed to the president of the sub-commission on the 11th instant. This reply was considered unacceptable. The sub-commission, however, discussed the possibility of setting up commissions of experts to continue elsewhere the work begun at Genoa. In the document which I have the honour to submit to you, the sub-commission has, in fact, agreed to propose the establishment of a non-Russian commission and a Russian commission, to meet at The Hague on the 26th June, and endeavour to solve the questions of debts, private property and credits.

The President of the Genoa Conference, in accordance with the wishes of the commission, will invite the countries represented at Genoa to be present at The Hague meeting. He has informed the Government of the United States of America of the decision which has been reached, expressing the hope that it will take part in The Hague meeting. Unfortunately, the Washington Government has felt itself unable to accept the invitation to take part in the work at The Hague. We all realise the great advantages of solving the

<sup>8</sup> See No. 138.

<sup>9</sup> Ibid.



Russian problem at the earliest possible moment. With this object in view, the commissions of experts are to meet on the 26th June, and their work is to be limited to a period of three months. In the document which deals with the establishment of The Hague commissions and lays down their programme of work, the commission has also included the pact of non-aggression between Russia and the other Powers which accept the proposal. This has been done in order to allow the commissions to work in an atmosphere of mutual confidence and tranquillity; it is, moreover, an affirmation of the programme of peace and pacification upon which the Conference of Genoa has been based.

I.—The Powers mentioned above agree that a commission shall be appointed for the purpose of further consideration of the outstanding differences between the Russian Soviet Government and the other Governments, and for the purpose of meeting a Russian commission similarly empowered.

II.—The names of the Powers represented in the non-Russian commission, together with the names of the members of the commission, will be communicated to the Soviet Government, and the names of the members of the Russian Commission will be communicated to the other Governments, not later than the 20th June.

III.—The matters to be dealt with by these commissions will comprise all outstanding questions relating to debts, private property and credits.

IV.—The members of the two commissions will be at The Hague on the 26th June, 1922.

V.—The commissions will endeavour to arrive at joint recommendations on the matters dealt with in clause III.

VI.—In order to enable the work of the commissions to be carried on in tranquillity, and in order to restore mutual confidence, engagements will be entered into binding the Russian Soviet Government and the Governments now allied with the Russian Soviet Government on the one hand, and the other participating Governments on the other hand, to refrain from all acts of aggression against their respective territories, and to refrain from subversive propaganda.

The pact to refrain from acts of aggression will be founded on the observance of the existing *status quo*, and will remain in force for a period of four months from the closing of the work of the commissions. The agreement against propaganda will bind all the signatory Governments to abstain from interfering in any way in the internal affairs of other States, from supporting by financial or other means political organisations at work in other countries, and also to suppress in their territory attempts to foment acts of violence in other States, and attempts which might disturb the territorial and political *status quo*. As will be seen from the explanations which I have given, it has not been possible in this conference to arrive at a complete solution of the problem which was confided to our sub-commission. It is not necessary to go into the reasons for this. They are chiefly of a practical order. We are not, however, abandoning our task. It will be continued by the commissions which we propose should be formed. Our confidence in the final solution of

the great problem remains unshaken. The torch of that confidence is not extinguished; Genoa will pass it on to The Hague.

Allow me to say one word more on the last part of the draft resolution, that is to say, on the pact of non-aggression. As it stands, this pact is of a purely temporary character. In order to make clear the obligations which the parties were to undertake, it was found necessary to fix a limit of time for the pact, which limit is connected with the labours of the commissions. But I desire to say plainly that, in proposing this temporary pact of non-aggression, we cherish the strongest hope that, at its termination, a more general and more permanent pact will be substituted for it, and that the ideal towards which we are working, the ideal of uniting all nations in a single great organisation for peace, will become a reality within the shortest possible time.

THE PRESIDENT, speaking in Italian: I call upon M. Platijn, delegate of the Netherlands, to speak.

M. PLATIJN (*Netherlands*), speaking in French: It is a great honour for me to be able to state that my Government will be delighted to give every facility to the commissions which, in accordance with the decision of the First Commission to hold a conference of experts, will come to The Hague in a few weeks' time, to continue the study of the questions involved in the Russian problem. My Government will be happy to grant these commissions every facility for working at The Hague, as the place on which the unanimous choice of the conference has fallen. The Dutch have always considered it a duty to offer generous hospitality to meetings which have for their aim the improvement of international relations and the laying of foundations for peace. The Government of the Netherlands will most cordially receive the commissions, which will resume their meetings from the Conference of Genoa, seeing that this conference considers their meeting necessary in the interests of the reconstruction of Europe. We do not deny that the task which will be ours, although an agreeable one, will be rendered difficult by the fact that you will come to us having still in mind the brilliant reception and hospitality offered to you by the Italian Government. I assure you, however, that the commissions will find at The Hague that international atmosphere which the Prime Minister of Great Britain kindly mentioned the other day as the reason for the selection of The Hague.<sup>10</sup> The Prime Minister graciously reminded you of its long and venerable tradition, dear to the heart of The Hague. While wishing many of you a cordial greeting on the soil of the Netherlands, I wish at the same time to express the earnest desire that complete success may crown the work of the commissions. May their labours contribute to producing friendly relations between all peoples, and play their part in the economic reconstruction of Europe, which is still suffering so grievously.

THE PRESIDENT, speaking in Italian: I call upon M. Galvanauskas, delegate of Lithuania, to speak.

M. GALVANAUSKAS (*Lithuania*), speaking in French: The obstacles to the

<sup>10</sup> See No. 136.

reconstruction of Europe, whether they are political or moral, do not consist merely in the non-settlement of European relations with Russia. The Lithuanian delegation believes it has performed its duty in emphasising this fact before all the commissions. It has pointed out the impossible position in which it is placed by reason of the military front which Poland presents to it, so that it cannot apply, as regards that State, the decisions of the conference regarding economic financial and transport questions. Poland, by the forcible act of General Zeligowski,<sup>11</sup> violated the convention with Lithuania concluded at Suwalki,<sup>12</sup> and also its obligations towards the League of Nations. In defiance of treaties in force, Poland continues its military occupation of Lithuanian territory, and of the capital, Vilna.

THE PRESIDENT, speaking in Italian: The subject on which the Lithuanian delegate is speaking not being before the assembly, I must ask him to sit down.

M. GALVANAUSKAS (*Lithuania*), speaking in French: That is why the Lithuanian delegation is obliged to make reservations as regards clause VI adopted by the First Commission. This clause appears to us to be unacceptable by reason of the peril which would result from a legalisation, even if only temporary, of the territorial and political *status quo* created in Lithuania by the aforesaid violations of existing treaties and of international law. It is with sincere regret that we feel compelled to make these reservations, the only cause of which is the policy of Poland in regard to our country. The general policy which Lithuania has followed has always been one of peace, and we desire to declare solemnly that she will never abandon that policy. The Lithuanian delegation desires also to call the attention of the conference to the fact that its Government has proposed, and now again proposes, to Poland a peaceful means for the settlement of these differences in conformity with law and existing agreements. Thus, the Lithuanian Government recently proposed to Poland to appear before the Permanent Court of International Justice. Unfortunately, however, Poland declined this invitation.

THE PRESIDENT, speaking in Italian: I must ask the Lithuanian delegate not to persist in addressing the assembly. I believe I am interpreting the opinions of all in thanking the delegate of the Netherlands very warmly for the generous way in which he has expressed the feelings of his Government with regard to the reception of the Expert Commissions which are to continue in his country the labours begun at Genoa. I feel sure that the cordiality with which the delegate of the Netherlands has welcomed them is an excellent augury for the success of the work which will be continued there, and in the name of the assembly, I thank him most sincerely for what he has said. I now call upon M. Skirmunt, delegate of Poland, to speak.

M. SKIRMUNT (*Poland*), speaking in French: I do not want to enter into a controversy with the representative of Lithuania. I merely wish to mention certain facts. Negotiations were set on foot by the League of Nations for the

<sup>11</sup> See No. 121, n. 31.

<sup>12</sup> For this agreement of October 7, 1920, which established a provisional *modus vivendi* between Poland and Lithuania pending the definitive settlement of relations between them, see *B.F.S.P.*, vol. 114, pp. 873-5.

settlement of the Polish-Lithuanian dispute, and terminated on the 13th January.<sup>13</sup> It was proposed to the two countries that diplomatic and consular relations should be established between them, and that the neutral zone should be replaced by a provisional frontier line. We have accepted the two recommendations of the League of Nations; only yesterday, the League of Nations again dealt with this question,<sup>14</sup> and again recommended that we should divide the neutral zone between the two countries and send a commission to the spot. The representative of Poland accepted the decisions of the Council of the League of Nations. If the representative of Lithuania does not think it possible, on his side, to accept paragraph VI of the proposal which is now before us, the Lithuanian Government will take the responsibility, but that will not in any way affect the pacific attitude of Poland towards the Lithuanian Government, and the sentiments of the Polish people towards the Lithuanian people. We never attack, we are always ready to have neighbourly relations with Lithuania, and even to recognise the Lithuanian Government as existing *de jure*. Our feelings are entirely pacific; I am anxious to state this and to declare in all solemnity.

THE PRESIDENT, speaking in Italian: As this question was set aside at the meeting of the First Commission yesterday, it is not within my power to allow it to be taken up here. I will now call upon the Russian delegation to state that it accepts the resolutions read out by Signor Schanzer, including the pact of non-aggression contained in article VI.

M. CHICHERIN (*Russia*), speaking in French: The Russian delegation has stated, in the meeting of the commission, its attitude in this matter, and has given all necessary explanations with regard to the resolutions now submitted to the conference. I do not wish to delay our labours here this morning, and I therefore refer you to the statements and reservations made before the commission, and declare that the Russian delegation accepts the resolutions, including article VI, subject thereto.

THE PRESIDENT, speaking in Italian: I call upon the delegate of Great Britain to make a statement on the subject of the acceptance of the resolutions before the assembly, and of the pact of non-aggression.

MR. LLOYD GEORGE (*Great Britain*), speaking in English: We accept the pact of non-aggression, with the elucidation contained in the minutes.

THE PRESIDENT, speaking in Italian: I call upon the delegate of Canada to speak.

THE DELEGATE OF CANADA [SIR CHARLES BLAIR GORDON], speaking in English: The representative of the Dominion accepts, with the reservations and explanations given in the minutes.

THE PRESIDENT, speaking in Italian: I call upon the delegate of Australia to speak.

THE DELEGATE OF AUSTRALIA [SIR JOSEPH COOK], speaking in English: I accept.

<sup>13</sup> See No. 95, n. 7.

<sup>14</sup> A reference to a resolution passed by the Council of the League of Nations on May 17, 1922 (see *L/N.O.J.* 1922, pp. 549-52).

THE PRESIDENT, speaking in Italian: I call upon the delegate of New Zealand to speak.

THE DELEGATE OF NEW ZEALAND [SIR FRANCIS BELL], speaking in English: I accept.

THE PRESIDENT, speaking in Italian: I call upon the delegate of South Africa to speak.

THE DELEGATE OF SOUTH AFRICA [SIR EDGAR WALTON], speaking in English: I accept.

THE PRESIDENT, speaking in Italian: I call upon the delegate of India to speak.

THE DELEGATE OF INDIA [MR. D. M. DALAL], speaking in English: I accept, with the reservations indicated by Mr. Lloyd George.

THE PRESIDENT, speaking in Italian: In the name of the Italian delegation, I wish to make the following declaration:—

The Italian delegation declares that the Italian Government accepts the resolutions submitted by Signor Schanzer, and undertakes, in the name of the Government of Italy, the pledges mentioned under article VI of the said resolutions.

I call upon Baron Hayashi, delegate of Japan, to speak.

BARON HAYASHI (*Japan*), speaking in English: The Japanese delegation, in the name of the Japanese Government, is happy to accept.

THE PRESIDENT, speaking in Italian: I call upon Signor Schanzer, delegate of Italy, to speak.

SIGNOR SCHANZER (*Italy*), speaking in French: The following letter has been received from the Japanese delegation:—

‘Mr. President, in the course of the discussions of the sub-commission, the Japanese delegation felt compelled to make a reservation with regard to the words—and the other Allied Governments—in paragraph 1 of article VI (non-aggression).<sup>15</sup> Since then, the Japanese delegation has reconsidered the question in the light of the instructions received from its Government. It notes the explicit statement made by the president of the sub-commission, that the arrangement in question does not affect in any way the position of Japanese troops at present in Siberia. It considers that not only does the pact of non-aggression referred to above place no obstacle in the way of a preliminary agreement of the same kind, but also that the repetition of similar agreements may result in strengthening mutual confidence, and consequently in contributing to the establishment of peace.

‘In a spirit of conciliation, realising the great importance of reaching an unanimous agreement concerning the work of the conference, the Japanese delegation is glad to be able to state now that it can give its full assent on the point in question, it being clearly understood that the president’s statement mentioned above is considered as being taken for granted.’

HAYASHI  
K. ISHII  
K. MORI

<sup>15</sup> See No. 137.

THE PRESIDENT, speaking in Italian: I call upon the delegate of Austria to speak.

THE DELEGATE OF AUSTRIA [M. SCHÖBER], speaking in French: The Austrian delegation accepts.

THE PRESIDENT, speaking in Italian: I call upon the delegate of Bulgaria to speak.

THE DELEGATE OF BULGARIA [M. STAMBOLISKI], speaking in French: The Bulgarian delegation accepts the proposals of Signor Schanzer.

THE PRESIDENT, speaking in Italian: I call upon the delegate of Czechoslovakia to speak.

THE DELEGATE OF CZECHOSLOVAKIA [DR. GIRSA], speaking in French: Czechoslovakia accepts the resolutions.

THE PRESIDENT, speaking in Italian: I call upon the delegate of Denmark to speak.

THE DELEGATE OF DENMARK [M. BERNHOFT], speaking in French: The Danish delegation accepts the proposals of Signor Schanzer.

THE PRESIDENT, speaking in Italian: I call upon the delegate of Esthonia to speak.

THE DELEGATE OF ESTHONIA [M. PUSTA], speaking in French: The Esthonian delegation accepts the proposals of Signor Schanzer, with the reservations which it made in the commission yesterday, as regards the peace treaty with Russia.

THE PRESIDENT, speaking in Italian: I call upon the delegate of Finland to speak.

THE DELEGATE OF FINLAND [M. ENCKELL], speaking in French: The Finnish Government accepts, with the same reservations as those just made by the Esthonian Government.

THE PRESIDENT, speaking in Italian: I call upon the delegate of Greece to speak.

THE DELEGATE OF GREECE [M. ROUFOS], speaking in French: Greece accepts.

THE PRESIDENT, speaking in Italian: I call upon the delegate of Iceland to speak.

THE DELEGATE OF ICELAND [M. BJORNSSON], speaking in French: Iceland accepts.

THE PRESIDENT, speaking in Italian: I call upon the delegate of Latvia to speak.

THE DELEGATE OF LATVIA [M. MEIEROVICS], speaking in French: The Latvian delegation accepts, with the reservations made by the Esthonian and Finnish delegations.

THE PRESIDENT, speaking in Italian: I call upon the delegate of Lithuania to speak.

THE DELEGATE OF LITHUANIA [M. GALVANAUSKAS], speaking in French: The Lithuanian delegation confirms the reservations which it has just made.

THE PRESIDENT, speaking in Italian: I call upon the delegate of Norway to speak.

THE DELEGATE OF NORWAY, speaking in French: The Norwegian delegation, being without instructions from its Government, abstains from voting, and reserves the right of its Government to adhere later to the proposals made. I should add that the Norwegian delegation was not present at yesterday's meeting of the First Commission, as was wrongly stated in the printed report.

THE PRESIDENT, speaking in Italian: I call upon the delegate of the Netherlands to speak.

THE DELEGATE OF THE NETHERLANDS [M. PLATIJN], speaking in French: The Government of the Netherlands accepts.

THE PRESIDENT, speaking in Italian: I call upon the delegate of Poland to speak.

THE DELEGATE OF POLAND [M. SKIRMUNT], speaking in French: The Polish Government accepts, with the reservation which was included in the declaration which the Polish delegate made in the sub-commission,<sup>8</sup> that it was understood that the obligations imposed on Russia and Poland by the Treaty of Riga<sup>16</sup> should remain in force.

THE PRESIDENT, speaking in Italian: I call upon the delegate of Portugal to speak.

THE DELEGATE OF PORTUGAL [M. GOMES], speaking in French: Portugal accepts.

THE PRESIDENT, speaking in Italian: I call upon the delegate of Roumania to speak.

THE DELEGATE OF ROUMANIA [M. BRATIANO], speaking in French: Roumania accepts.

THE PRESIDENT, speaking in Italian: I call upon the delegate of the Serb-Croat-Slovene Kingdom to speak.

THE DELEGATE OF THE SERB-CROAT-SLOVENE KINGDOM [M. NINČIĆ], speaking in French: The Kingdom of the Serbs, Croats and Slovenes accepts.

THE PRESIDENT, speaking in Italian: I call upon the delegate of Spain to speak.

THE DELEGATE OF SPAIN [THE MARQUESS OF VILLA URRUTIA], speaking in French: Spain accepts.

THE PRESIDENT, speaking in Italian: I call upon the delegate of Sweden to speak.

THE DELEGATE OF SWEDEN [DR. UNDEN], speaking in French: The Swedish Government accepts the proposed resolutions.

THE PRESIDENT, speaking in Italian: I call upon the delegate of Switzerland to speak.

THE DELEGATE OF SWITZERLAND [M. MOTTA], speaking in French: On behalf of the Swiss Government, I accept the proposed decisions. I consider them completely in accord with the peaceful spirit of my country, and I hope that they are the beginning of a definite future peace.

THE PRESIDENT, speaking in Italian: I call upon the delegate of Hungary to speak.

<sup>16</sup> See No. 82, n. 9.

THE DELEGATE OF HUNGARY [COUNT BANFFY], speaking in French: Hungary accepts.

THE PRESIDENT, speaking in Italian: I call upon the delegate of Albania to speak.

THE DELEGATE OF ALBANIA [MEHDI BEY FRACHERI], speaking in French: On behalf of its Government, the Albanian delegation accepts.

THE PRESIDENT, speaking in Italian: I call upon the delegate of Belgium to speak.

THE DELEGATE OF BELGIUM [M. JASPAR], speaking in French: On behalf of the Belgian delegation, I declare that I cannot at present accept the proposed resolutions. The Belgian delegation, however, under reserve of the explanations which it has already furnished,<sup>17</sup> undertakes to recommend to its Government the adoption of the proposed resolutions, including article VI.

THE PRESIDENT, speaking in Italian: I call upon M. Barthou, delegate of France, to speak.

M. BARTHOU (*France*), speaking in French: In conformity with the procedure established at Cannes,<sup>18</sup> the French delegation declares that it will recommend to the Government of the Republic the adoption of the resolutions of the First Commission.

THE PRESIDENT, speaking in Italian: All those nations which decide to take part in the future conferences are considered as having accepted the resolutions, including article VI. On behalf of the conference, I appoint members to take part in the commissions mentioned under article I of the motions approved. Invitation is made to the following Powers: Belgium, France, Japan, the British Empire (including Canada, Australia, New Zealand, South Africa and India), Italy, Russia, Albania, Austria, Bulgaria, Czechoslovakia, Denmark, Esthonia, Finland, Greece, Iceland, Latvia, Lithuania, Luxemburg, Norway, Netherlands, Poland, Portugal, Roumania, Serb-Croat-Slovene Kingdom, Spain, Sweden, Switzerland and Hungary. I now call upon Signor Schanzer, delegate of Italy, to speak.

SIGNOR SCHANZER (*Italy*), speaking in French: The First Commission adopted yesterday the following motion, which I submit for the approval of the Assembly:—

The president is invited to take the necessary steps, in agreement with the Government of the Netherlands, for the convocation of the commissions at The Hague.

THE PRESIDENT, speaking in Italian: If there are no objections, the motion just read by Signor Schanzer will be adopted.

*(The motion was adopted.)*

THE PRESIDENT, speaking in Italian: The report of the Commission on Credentials is now before you for approval. If no member wishes to speak, I shall consider that the report is adopted.

*(The report of the Commission on Credentials was adopted.)*<sup>19</sup>

<sup>17</sup> See No. 133.

<sup>18</sup> See No. 19, Appendix 2.

<sup>19</sup> See No. 67, n. 10.



THE PRESIDENT, speaking in Italian: I call upon Signor Schanzer, delegate of Italy, to make a communication on the subject of the Sanitary Convention at Warsaw.<sup>20</sup>

SIGNOR SCHANZER (*Italy*), speaking in French: The president of the Council of the League of Nations has duly sent a telegram to the president of the conference asking him to submit to the conference the resolutions adopted at the Warsaw Health Conference. Poland, in her capacity as an inviting Power at the Health Conference, has also sent a note to the same effect to the president of the Sub-Commission of the First Commission. We submitted the note from Poland and the telegram from the president of the Council of the League of Nations to a meeting of the inviting Powers, who agreed to submit to the conference the following draft resolution:<sup>21</sup>

‘The conference approves the principle of the anti-epidemic campaign for European hygienic relief adopted at the Warsaw Conference, and recommends the European Governments represented at Genoa to discuss their application immediately, and for this purpose to appeal to their respective Parliaments for the necessary funds.’

It is certainly not the duty of the present conference to make a further examination in detail of the results of a technical investigation carried out carefully with the assistance of the experts of all the States concerned. But this conference, by accepting the recommendations of the Warsaw Conference, will prove that, in spite of the difficulties which arise from political questions, and from the inevitable divergencies of opinion in discussing a solution of the various questions, it is unanimous, not only in the desire to bring about the economic reconstruction of Europe, but also in the wish to apply by common agreement all the technical measures which constitute the essential conditions of, and the first steps towards, that reconstruction.

THE PRESIDENT, speaking in Italian: I call upon M. Chicherin, delegate of Russia, to speak.

M. CHICHERIN (*Russia*), speaking in French: The Russian delegation stands by the amendment on epidemics moved in the conference<sup>22</sup> by the Russo-Ukrainian delegation, which objected to the scheme proposing to entrust one of the [organs] of the League of Nations with the task of carrying out these resolutions. The Russo-Ukrainian delegation asked that, instead of the League of Nations, an international commission should be set up for the purpose of carrying out these resolutions. As you know, Russia has not recognised the League of Nations, and we think that a body on which Russia would not be represented could not usefully undertake this work. We beg, therefore, to move again the amendment which we have already moved, that a special commission, and not the League of Nations, be entrusted with the task of carrying out these resolutions.

THE PRESIDENT, speaking in Italian: The remarks of the Russian delegation have been noted, and will be recorded in the minutes. As there are no other objections, the motion, as proposed by Signor Schanzer, is considered as adopted. I call upon Signor Schanzer, delegate of Italy, to speak.

<sup>20</sup> See No. 135, minute 4.

<sup>21</sup> See *ibid*.

<sup>22</sup> i.e. the Warsaw Health Conference.

SIGNOR SCHANZER (*Italy*), speaking in French: The Joint Commission of the International Committee of the Red Cross and of the League of Red Cross Societies, and the president of the Italian Red Cross, have sent to the president of the Genoa Conference a note containing the proposals adopted during the plenary meeting of the Tenth International Red Cross Conference at Geneva, and a resolution which they recommend for adoption by the Genoa Conference. These documents were distributed to all the delegations on the 15th May, and were submitted to a meeting of the inviting Powers on the same day. The inviting Powers have decided to submit the following draft resolution for the approval of the conference:—

The Genoa Conference resolves to refer to the League of Nations the memorandum which the Mixed Commission of the International Committee of the Red Cross and of the League of Red Cross Societies and the president of the Italian Red Cross submitted to him on the 4th May, 1922.

THE PRESIDENT, speaking in Italian: I call upon M. Chicherin, delegate of Russia, to speak.

M. CHICHERIN (*Russia*), speaking in French: The Russian delegation heartily supports the proposal to complete the activity of the Red Cross by giving it functions such as the preservation of international health and the relief of distressed peoples. Russia recognises the very high value of the humanitarian work undertaken by the Red Cross, and the immense services rendered to the nations in time of war. By broadening its activity, the conference would make it easier for the Red Cross to render to peoples in distress, in new fields of its activity, the same services as it has been able to render in time of war. Therefore, the Russian delegation supports the amendment, but opposes the reference to the League of Nations, which is not recognised by the Russian Government.

THE PRESIDENT, speaking in Italian: The minutes will take note of the objection made by the Russian delegation to referring the question of the Red Cross to the League of Nations. If no one else wishes to speak on the subject, the motion will be considered as adopted.

*(The motion was adopted.)*

THE PRESIDENT, speaking in Italian: I call upon Mr. Lloyd George, the delegate of the British Empire, to speak.

MR. LLOYD GEORGE (*British Empire*), speaking in English: Mr. President, we have now come to the end of one of the most remarkable conferences ever held in the history of the world. The Genoa Conference will be for ever an inspiring landmark on the pathway of peace. Before we separate, I feel that it is a pleasure and a privilege to us who have come here from other lands, to adopt a resolution of thanks, first of all to our president, for the tact and good-humour with which he has presided over our discussions; to Signor Schanzer, for the very arduous and anxious labours which he has undertaken on our behalf, and, if I may say so, especially for the skill and tact with which he has piloted us through the shoals and rocks and reefs of the First Commission. We also owe a debt of gratitude to the people of Italy, for a measure

of hospitality which is worthy of a great and generous people. Never has conference been better received. We owe also a debt to the city of Genoa for a reception which is worthy of a great and renowned city. Italy, in a desire to extend hospitality to us, has shown us every specimen of weather which she can command. We have had, of course, as you would naturally expect in Italy, sunny skies. But we have also had some of the angry and cold tramontana; we have had the gloomy and depressing sirocco; we have had some thunderstorms; but it has all ended to-day in blue skies. That is the history of the conference.

But you need all kinds of weather to make a good harvest, and if you look at what has been accomplished at Genoa, you will find that we have reaped and garnered fine crops. There is the great pact of peace; there are the reports and recommendations of the Commission on Finance, the Economic Commission, and the Transport Commission, all full of valuable recommendations, which, if they are adopted and pursued, will help to restore prosperity and vigour to the depleted veins of Europe.

The conference would have justified its existence if it had only been for the work accomplished by these three commissions. It is true that their task has been overshadowed by more controversial issues. That is what always happens when any great controversial subject is under discussion. But those of us who are acquainted with the tasks of legislation know too well that controversial legislation is not always the most fruitful, and that is equally true perhaps of the tasks of this conference. There is a real danger that, owing to the concentration of the thoughts of the conference, and of the minds of people, upon the more debatable and dialectical part of our work, the quieter work, which is so vital to the interests of our peoples, might be overlooked. The recommendations of the commissions contain matters of the deepest moment for the restoration of the economic vitality of Europe, and I sincerely trust that the mere printing and circulation of these reports will not be the end of them. If it is, they will simply add to the paper currency of which the world has already had too much. They have to be converted into gold by the alchemy of action, and we shall each of us, when we go home, bring them to the notice of those who are responsible for directing the affairs of our respective countries, and by that means help to restore healthier economic conditions in Europe.

But still, I will not say the interest, but the real excitement of the conference, has centred in another issue, in the question of the relations of Russia with the outside world, and of the assistance which the outside world is prepared to render in order to restore that devastated country, and to rescue its population from conditions which, in many cases, are conditions of deep misery and distress. It is a problem full of danger and difficulty, and if I dwell a little upon it, I do so because we propose to continue our examination in another month's time in another form. It is surrounded by a jungle of prejudices, swarming with very wild passions, and therefore dangerous to approach. Let me say this about the conference and the way in which it debated that question. The discussions in themselves have demonstrated the

value of international conferences. Here is a question which has created many political crises in different countries, which has provoked wars and revolutions in two continents, debated in the conference in an atmosphere of calm and courteous investigation. What better justification could you have for conferences than that? And all you have got to do, in order to know how valuable conferences are, is to consider the contrast between the tone of our deliberations and the tone of some of the comments upon those deliberations. You might have imagined from some of them that we have come here, not to promote a general peace, but to organise a general Armageddon, and, if our discussions had been conducted in that spirit, most of us would have passed from the Palazzo Reale to the Campo Santo.

But our discussions were carried on in an atmosphere of calm and quiet. What progress have we made towards the solution of this problem? Considerable progress. For the first time, Europe has faced that difficulty and not shirked it. Half your difficulties vanish the moment you face them, and the other half disappear if you continue to face them. That is what we have decided to do. We have decided to continue the examination of this problem, in order to struggle through, and that is the most courageous decision taken by this conference. With a full knowledge of the magnitude, the complexity, and the perils surrounding the problem, we have decided deliberately to do our best to struggle through. That is a decision worthy of a great conference of nations. We have not gone as far as the most sanguine of us expected, but we have gone farther than doubters ever hoped or wished to go. There is no goal worth reaching which is as near as it appears to the hopeful, or as remote as it seems to the timid, and that is equally true of this object. The discussions are to be resumed in a different place, under different conditions, in a different manner, and, I hope, with a different result. We have a month for reflection on the difficulties revealed in this conference, before we resume those discussions. I sincerely hope that that month will be utilised with a view to discovering and suggesting solutions for these difficulties.

I should like to say one word in that respect upon the Russian memorandum of the 11th May.<sup>23</sup> We are making no reply to it, but we cannot allow it to pass without one sentence. I do so, not in order to prolong the controversy—because the last thing I wish to do is to end these proceedings on a controversial note—but, as one who has taken a very leading part in endeavouring to secure better relations between the East and the West of Europe, I should like to utter one word of warning. I do not know what the effect of that memorandum was in Russia, but I know that the effect outside Russia was disastrous. It produced a reaction against the spirit of settlement, and, if it were the last word to be uttered by the Russian Government, I should really despair of accomplishing much at The Hague. I am referring to the memorandum of the 11th May. Russia needs help. Europe and the world needs the produce which Russia can contribute. Russia needs the accumulated wealth and skill which the world can place at its command to

<sup>23</sup> See No. 122, n. 2.

restore it. Russia cannot recover for a generation without that help. Europe is more and more filling up the gap left by Russia. Russia needs more and more the help which the world can give, and the world is anxious to give it. Either from pride or from prudence, we have not, in any of these discussions, referred to the fact that, even at this moment, there are millions in Russia standing on the brink of famine and pestilence, who may perish without help. If Russia needs help she can get it. But will the Russian delegation allow me, in a friendly spirit, to say one word? If Russia is to get help, Russia must not outrage the sentiments—if they like, let them call them the prejudices—of the world.

There is a real sympathy for Russia's condition. But what are these prejudices? I will just name one or two, because they were all trampled upon in the memorandum of the 11th May. The first prejudice we have in Western Europe is this, that if you sell goods to a man you expect to get paid for them. The second is this, that if you lend money to a man and he promises to repay you, you expect that he will repay you. The third is this, you go to a man who has already lent you money, and say, 'Will you lend me more?' He says to you, 'Do you propose to repay me what I gave you?' And you say, 'No; it is a matter of principle with me not to repay.' There is a most extraordinary prejudice in the Western mind against lending any more money in that way. It is not a question of principle. I know the revolutionary temper very well, and the revolutionary temper never acknowledges that anybody has got principles, unless he is a revolutionary. But these prejudices are very deeply rooted; they are rooted in the soil of the world; they are inherited from the ages; you cannot tear them out. And if you are writing a letter asking for more credits, I can give one word of advice to anybody who does that. Let him not, in that letter, enter into an eloquent exposition of the doctrine of repudiation of debts. It does not help you to get credits. It may be sound, very sound, but it is not diplomatic.

Now, I have only one or two more words to say. Europe is anxious to help, Europe can help, Europe will help. But Russia must, in her dealings with us, accept the code of honour which is an inheritance, which has come to us from centuries, from generations of hard-working and honest people. It has struck deep into the soil of the world, and not even the Russian tornado has split one fibre of a single root of those prejudices, upon which our system depends. I do implore you, as a friend of Russian peace, as a friend of co-operation with Russia, as one who is in favour of going to the rescue of those great and gallant and brave people, I implore the Russian delegation, when they go to The Hague, not to go out of their way to trample upon those sentiments and principles which are deeply rooted in the very life of Europe.

At Cannes, we threw out the lifeline. We have not yet drawn it in, as I thought we might; neither has it been snapped; neither has it been let go. It is still there, and we would like to draw all the distressed, all the hungry, all the suffering in the East of Europe back to life, with all the help that the accumulated energy and skill of other lands can give.

We have signed a pact of peace. It is a provisional one. It is for months—

no, it is for more than that. We have decided to have peace amongst warring nations. Once you establish it, nations are not going back upon it. We have decided to give peace a trial on our hearthstones, and when she has been there for seven months, we will not turn her out again. The psychological effects upon the peoples of the world will be electrical. The thrill of peace has gone through the veins of Europe, and you are not going to get nation lifting up hand against nation again.

There has been nothing more striking in this conference than the deep, passionate desire not to have a rupture, not to have a quarrel, but to live in peace and amity together. Believe me, peace is recovering her gentle sway over the hearts of men, and in this conference, by this pact which we have adopted to-day, we have paid homage to her sceptre.

THE PRESIDENT, speaking in Italian: I call upon M. Barthou, delegate of France, to speak.

M. BARTHOUS (*France*), speaking in French: Gentlemen, the voice of France has already been heard in this debate with a clearness and sincerity which has been acknowledged by you all. I should not rise to echo these words if it were not my duty to associate myself with the thanks, wishes and hopes which Mr. Lloyd George has so eloquently voiced. This duty is not inspired by a mere feeling of courtesy or diplomacy. I feel its necessity deeply. On behalf of the French delegation, I must offer a most cordial and hearty tribute of gratitude to the Italian Government. To Italy, that great and noble country, I tender my thanks. May I be allowed to say that, since the days of my youth, I have had for Italy a profound sympathy and friendship, which has never failed for one hour, and it has therefore been for me a great pride and pleasure that my sentiments are in accord with the attitude adopted by my country. We have all experienced once more the generosity of Italy. Here at Genoa, we have been so well received and cared for, that during six weeks we have been able to walk abroad in the streets of this living, swarming and crowded city without having heard one single word, without seeing one single gesture that might seem lacking in courtesy and goodwill. Our thanks are offered to Genoa and to the Italian Government, whose task has been so difficult and has been accomplished with such success. Thanks also are due to the Italian Council for the liberality with which they have carried out their task. We also thank the Minister for Foreign Affairs who, in the course of our negotiations, has repeatedly proved his tact, skill and prudence, in bringing the proceedings to a successful conclusion.

After six weeks of hard work, there seems to be some boldness in writing down on the agenda the words 'closing speeches', whereas the fear might have been felt that 'rupturing speeches' were more probable.

You have not heard one single speech of rupture, and you will not hear one. Thirty-four States answered the invitation sent from Cannes on the 10th April. Thirty-four States attended the opening of this conference, and thirty-four States are still present. Great progress has been realised. Mr. Lloyd George correctly described the tone of our deliberations; he rightly praised the pact of non-aggression. Since we knew that pact was to be

discussed, we carefully refrained from using any words of an aggressive character as regards our neighbours. We have succeeded. The commissions have reached satisfactory conclusions. As Mr. Lloyd George said, the pact would be nothing if it were only words on paper, if the Governments had not the deliberate intention of carrying it out. At this point, may I express the absolute and loyal intention of the French Government to put these resolutions into practice, and to make of them an actual reality. Mr. Lloyd George mentioned the arduous and difficult nature of the question of relations with Russia, which the conference has had to tackle. I am in rather a more difficult position than Mr. Lloyd George. I took part in unofficial conversations of a protracted nature with the Russian delegation, in order to prove the earnest desire of my Government to collaborate in solving the problem. In spite of that, however, I have been burnt in effigy at Petrograd. Luckily, it was only my effigy which was burnt. In spite of this gesture, which was rather too symbolical, I am not going to say one word which might seem to be hostile to the Russian delegation. The only thing that matters is that there is a nation yonder which is suffering, and it is our duty to rush to her help. Humanity would never have made a single step forward if people had always asked, 'What is your Government? What is your religion? What is your social system?' before giving assistance. When men are suffering, it is the duty of the rest of mankind to go to their help. The French Government cannot forget the immense services rendered by Russia during the first three years of the war. The Russian nation must know that we remain faithful to this pact of gratitude, and that we shall do everything in our power to alleviate their sufferings. You have heard a great statesman and a great orator speak of landmarks on the road to peace. This means that we are still on the way, going together towards our common goal. There are other stages, other landmarks, still to come. The question is now whether we shall all march together, animated by the same feelings, and inspired by the same idea of solidarity and fellowship. I have listened to what Dr. Rathenau, the Minister for Foreign Affairs of Germany, has said. I will not dispute the sincerity of his remarks; I will only say that I appreciate their finesse and prudence. He spoke of demobilising public opinion. I suppose he was referring to the warlike spirit. Well, let him be of good cheer; I can once more bring him a word from France. France, which did not want the late war, is ardently and passionately attached to peace, and to that peace we are all tending with the same heartfelt desire. The health of Europe has been seriously compromised and its balance upset, and that can only be restored if we are all inspired by a spirit of loyalty and solidarity, and if we show the same respect for order, honour and our pledged word. Is it still permissible to ask whether we wish for peace? Of course we do. We are among those men of goodwill who wish for peace—*et in terra pax hominibus bonæ voluntatis*. We are all men of goodwill, and together we shall succeed in imposing peace on Europe and on the world.

THE PRESIDENT, speaking in Italian: I call upon M. Banffy, delegate of Hungary, to speak.

M. BANFFY (*Hungary*), speaking in French: In the name of the Hungarian delegation, I wish to thank the nations here assembled for the interest they have shown in the great questions of justice and equality which concern my nation so closely, and I wish to thank the Italian Government for the cordial way in which they have received our delegation.

THE PRESIDENT, speaking in Italian: I call upon M. Stamboliiski, delegate of Bulgaria, to speak.

M. STAMBOLIISKI (*Bulgaria*), speaking in Bulgarian: In the name of my country, a country that has greatly suffered, I wish to thank the promoters of the Genoa Conference, and to say that by this act they have accomplished a great deed, that will render their names immortal—the most noble deed that could have been effected for the nations that have suffered so much from the war. In spite of criticisms, I may say the Genoa Conference has reached deeply humane results; it has carried the patient from the battle-fields to the bright galleries of peace; it has discovered the illness from which he was suffering; it has written the recipe that will cure him, and has found the means of applying it. On this point the conference evidently encounters difficulties, which do not arise from a lack of goodwill, but from the fact that some of the necessary drugs are not to be found at Europe's chemists. To obtain assistance, we appeal to the powerful nation overseas, America. We shall find a great quantity of drugs for the use of Europe at the American chemists. The Bulgarians have a proverb which says, 'Help yourself first, and then you will be helped.' Europe must therefore help herself first, and America will help her afterwards. America will and must come to our assistance. She is a country of humanitarians and philanthropists. She once listened to the voice of the victorious nations and took part in the war to hasten its end. Now she will listen to the voice of those who were not on the winning side, those who suffered, and she will return and hasten the work of peace. The Genoa Conference has realised what was necessary and possible; we have to leave the rest to time. We must know how to wait. War, peace and all the rest must pass through the process of time. The principle of the peace of the world has been established; it will now develop and give good results.

We, representing one of the most sorely tried nations, are satisfied that the Genoa Conference has done much good. Bulgaria thanks the conference. When an unhappy people are satisfied, they who constitute the majority of the world, it is a proof that what has been done here is of world-wide importance. Once again I wish to express the gratitude of Bulgaria to the promoters of the conference. I would also like to thank Italy for her splendid hospitality. She has appeased the nervous system of all the Governments; the people and the Government of Italy have done everything to lighten our task. They have won our hearts, and we shall leave Genoa strengthened and brightened by the hope of peace, gladdened by the hospitality of Italy.

THE PRESIDENT, speaking in Italian: I call upon Baron Hayashi, delegate of Japan, to speak.

BARON HAYASHI (*Japan*), speaking in English: I fully and most heartily



associate myself with previous speakers in thanking the Italian Government, its delegates, and the city of Genoa itself. Several centuries have passed since Genoa's great son, Columbus, went out to find the East. Now the East is here to pay its tribute.

A word about the conference. To borrow the expression of Mr. Lloyd George, we have had a certain amount of snarling, but much good work has been done. If I may be allowed to say so, that has been largely owing to the moderate and wise attitude of our Russian friends. Their attitude has been much more moderate than I expected. I hope that at the next conference at The Hague, they will assume an even wiser and more prudent attitude. It is only such an attitude which, to my mind, will be helpful, and which will bring help from other countries in Europe, and in future days—perhaps in the near future—from America.

THE PRESIDENT, speaking in Italian: I call upon M. Chicherin, delegate of Russia, to speak.

M. CHICHERIN (*Russia*), speaking in French: Whilst fully endorsing the vote of thanks to the Italian people and Government and to the city of Genoa, and whilst recognising the entire good-will of many of the nations taking part in the conference, the Russian delegation feels obliged at this stage of our work to submit a few general considerations on the results of the conference. The Russian delegation was justified in its assertion, made at the beginning of the conference, that the sole fact of convening all the European countries, without distinction of victor or vanquished, and without discrimination between opposing systems of property, was a memorable event, which was destined to be a source of real advantage to the establishment of universal peace and to the economic reconstruction of Europe. It cannot, however, be denied that the results of the conference do not fulfil the great expectations which it aroused amongst the peoples of all nations. What the Russian delegation desired, and what has been unfortunately lacking at the Genoa Conference, was a bold step towards new political and economic methods, a work of creation and construction, the establishment of new systems. At the opening meeting of the conference<sup>6</sup> the Russian delegation sketched out a system which, in its opinion, would have opened a new road to Europe and made general European reconstruction possible. We have been prevented from submitting to the conference the question of disarmament, as well as certain other questions. These factors of a single system were, however, intimately bound up with the creative and constructive measures which we proposed. Having once refused to adopt this attitude, the conference has not been able to add anything to existing facts, or to the resolutions adopted by previous conferences, except to a small and insufficient extent. It has been unable to maintain the level of the principles set forth in the speeches at the first meeting, which proclaimed that there was no distinction between victors and vanquished, and that sovietists and capitalists were upon an equal footing. These, in our opinion, are the causes of the unsatisfactory results of the conference.

We hope that this experience will bear fruit. The questions which are

usually included in the expression 'Russian problem' can only be satisfactorily solved if all concerned will consider them from our point of view of the equality of rights of the countries which have two different systems of property, a point of view which is, as a matter of fact, that of the first resolution of Cannes;<sup>24</sup> we are anxious that this principle should be adopted by all who take part in the discussions at The Hague, for the brilliant exposition of the opposite theory, given by the Prime Minister of Great Britain, who has unexpectedly raised the question upon which we are divided, will not succeed in converting the Russian people to his ideas any more than the invading White armies succeeded in doing so. The British Premier tells me that, if my neighbour has lent me money, I must pay him back. Well, I agree, in that particular case, in a desire for conciliation; but I must add that if this neighbour has broken into my house, killed my children, destroyed my furniture and burnt my house, he must at least begin by restoring to me what he has destroyed. We went still further. We should have been satisfied if we had received sufficient assistance to enable us to carry out what was imposed upon us. But the other side did not take the same view. However, we continue our efforts for conciliation. The Russian people is profoundly desirous of peace and collaboration with other nations, but, I need hardly add, on a basis of complete equality. If we are still hopeful with regard to the prospects of general peace, it is due in a large measure to the expressions of deep and warm sympathy which we, as well as the other delegations, have received from the whole of Italian society and from the great masses of the Italian people. The spontaneity and the warmth of the marks of sympathy which the Russian delegation has received in Italy are to us the most reassuring sign that, in the midst of all the antagonisms and all the complications of to-day, the vast majority are earnestly aspiring to general peace. The Genoa Conference will be a milestone of the greatest significance along the road to peace.

THE PRESIDENT, speaking in Italian: I call upon M. Bratiano, delegate of Roumania, to speak.

M. BRATIANO (*Roumania*), speaking in French: On behalf of the Roumanian Government, the Czechoslovak Government and the Government of the Serb-Croat-Slovene Kingdom, I am happy to add my thanks to those of the countries which have already expressed their gratitude to the inviting Powers, the offices of the conference, the president of the conference and the presidents of the commissions for the work of peace carried out and the agreement obtained at Genoa. We have been proud to collaborate in this work, and we congratulate ourselves upon the work which has been done in the cause of world peace.

THE PRESIDENT, speaking in Italian: We have reached the end of our labours, and I have the honour of extending the farewell salutation of Italy to the delegates gathered here. It may be well to look back over the course we have travelled, and to take stock of the work accomplished by the conference. But before doing this, allow me to express the great satisfaction

<sup>24</sup> See No. 6, Appendix.

we have felt at the words of friendship and esteem for our country which have been pronounced here. The Italian people will certainly welcome with gratitude and delight the demonstrations of sympathy and good-will of this assembly, which includes the most distinguished statesmen and diplomatists. Permit me also to say, Gentlemen, that your thanks are due not so much to the Italian delegation as to the Italian people. The spirit which has prevailed here has been the spirit of the Italian people, of which spirit we delegates have been only the modest interpreters, a spirit of liberty, of democracy and of wide tolerance for all ideas and all opinions. This tolerance was necessary to produce the right atmosphere for an assembly which was charged with the task of discussing the most weighty political problems, and in which opposing tendencies were bound to come into sharp collision. At a previous plenary sitting we approved the conclusions of the Financial Commission and the Transport Commission.<sup>2</sup> To-day you have given the sanction of your votes to the proposals of the Economic Commission, which has submitted to you a series of resolutions of undoubted importance.

If we consider as a whole the labours of the technical commissions, we cannot fail to recognise the remarkable value of the results obtained by the conference in a short space of time. Many questions of principle in the economic and financial sphere have been dealt with and solved, and important lines of action have been traced for the financial reform of the nations of Europe and for facilitating the resumption of trade and of economic relations between them. Nevertheless, to speak frankly, all these theoretical conclusions would remain merely general affirmations if certain fundamental problems of European life were not first solved and if the general conditions for the return of the economic organism of Europe to a more regular functioning were not first created. We have applied ourselves with the greatest earnestness to the solution of one of these fundamental problems, the return of Russia to its place in the economic life of Europe, but the time assigned for the labours of the conference has been too short to arrive at a definitive solution of the problem. This is not to say that the conference has failed in its task, or that our work has been barren or useless. Far from it. We have clearly and definitely stated the terms of the problem, and we have discussed its fundamental aspects. We have found certain points of agreement between our ideas and those of the representatives of Russia, and have defined the points of disagreement which still divide us. It is true that the fact that the participation in the conference of many responsible statesmen of various countries would not allow of the indefinite prolongation of our labours, has prevented us from reaching a final agreement. But, most important of all, we have not lost confidence in the ultimate success of our efforts; we have decided to continue the negotiations which have been in progress here for some weeks, until a complete and satisfactory solution is obtained.

The work to be accomplished at The Hague will be only the continuation, the offspring, of the effort accomplished here in Genoa. If the labours of the commissions at The Hague succeed, as we are fully confident that they will,

in overcoming the difficulties which still remain, the merit of the final result must be ascribed to Genoa. It will be Genoa that will have opened the way to European reconstruction. This fact is for us a reason for gratification and profound satisfaction. Genoa, though it may have not have succeeded in accomplishing all that we had hoped and desired, has opened the way to a new European policy.

This new European policy was affirmed in the very constitution of the conference, with the concurrence of all the States which yesterday were still profoundly divided by the memories of the war. It has been a source of pride to Italy to have worked energetically and loyally day after day for the maintenance of the original character of the conference. We believe that, in spite of serious difficulties, we have succeeded in our purpose; that we have, in fact, tempered inevitable antagonisms in an atmosphere of mutual toleration, and have contributed to a not inconsiderable advance in the work of European pacification. A long road is still to be travelled, but we believe that, apart from the immediate tangible results obtained at Genoa, the spiritual and political work of the conference will find its inevitable continuation in the future developments of international life. The character of universality and European pacification which we have earnestly desired for the Genoa Conference must be the character of the European policy of to-morrow. In the pact of non-aggression, though it be only provisional and temporary, a word of peace has gone forth from Genoa, a word of peace which is a symbol, which expresses the most ardent aspiration of our hearts, and which will not be unheard by the peoples of Europe.

On behalf of the King, Government and people of Italy, I bid a hearty farewell to all the delegations present, thanking them for their unwearied efforts and for the valuable work they have accomplished, and express the most cordial wishes for the prosperous future of all the nations assembled here.

*(The Meeting terminated at 1 p.m.)*

## CHAPTER IV

# Preparations for and Proceedings of The Hague Conference May 23–July 21, 1922

### No. 143

*Mr. Gregory (Genoa) to the Marquess Curzon of Kedleston (Received May 24,  
8.30 a.m.)*

*No. 238 Telegraphic [N5041/646/38]*

GENOA, May 23, 1922, 9.25 p.m.

Italian Government are sending invitations to all the Powers<sup>1</sup> represented at Genoa, with the exception of Germany and Russia, for preliminary meeting at The Hague on 15th June and to Russia for meeting on 26th June.<sup>2</sup>

Netherlands Government are appointing a secretariat-general at The Hague, probably borrowing staff from League of Nations or International Labour Office.

Question of presidency not yet settled. Netherlands Government would be glad to accept British or Italian president, or would probably arrange for Karnebeek to undertake function, either taking full responsibility or acting as 'président d'honneur'.

Wise, who by instructions has been attending meetings with Italians and Dutch, will report further arrangements on arrival on Thursday or Friday next.<sup>3</sup>

<sup>1</sup> The invitation to the British Government was transmitted by the Italian Ambassador in a letter of May 27, 1922 (N5177/646/38, not printed) to the Earl of Balfour, with a request that similar invitations should be transmitted to the Governments of Canada, Australia, the Union of South Africa, New Zealand, and India, and that replies should reach the Secretary-General of the Hague Commission, care of the Netherlands' Minister for Foreign Affairs, by June 5.

<sup>2</sup> See No. 132, Annex.

<sup>3</sup> In a private letter of June 5 to Sir S. Chapman (N5661/646/38), Mr. Wise reported as follows: 'The arrangements of the Secretariat at the Hague seem to have gone astray. Karnebeek and the Dutch Government apparently don't like the Conference and are rather angry with Platijn—the Dutch Representative at Genoa—for having let them in for it. And they have consequently thrown over all the arrangements for a satisfactory central secretariat agreed at Genoa with Platijn and propose to run it on the lines on which Karnebeek himself ran the Secretariat of the Hague Peace Conference of 1907. This I am afraid will be quite hopeless from our point of view at any rate so far as we looked to the Central Secretariat to do for the whole Conference including ourselves what Hankey and his staff did for us at Genoa. The Dutch scheme apparently saves money on the Central Secretariat by involving everybody else in costs which in the aggregate far exceed the cost of an efficient central bureau. It would really be much better if the central costs of the Conference which as it seems the Dutch Government does not at all wish to defray, and ought not, were spread among the participating Powers as they would have been if the League had run the Conference. . . .'

*Sir A. Geddes (Washington) to the Earl of Balfour<sup>1</sup> (Received June 7)*  
*No. 627 [N5491/646/38]*

WASHINGTON, May 26, 1922

My Lord:

With reference to my despatch No. 405 of April 7th,<sup>2</sup> I have the honour to transmit, for Your Lordship's information, copy of telegraphic correspondence<sup>3</sup> which has passed between the British Delegation at Genoa and myself in regard to the question of American participation in the Commission on Russian Affairs which it is proposed should meet at The Hague next month.

The attitude taken up by the American Secretary of State has met with widespread approval by the general public, so far as can be judged from private conversation and editorial comment. While most newspapers of any influence, with the exception of the Hearst Press, have viewed the proceedings at Genoa with sympathetic interest, and have demonstrated a desire to see the policy which led to the convocation of the Conference brought to a triumphant conclusion, there is, nevertheless, almost unanimous concurrence in the view of the Administration that the United States cannot yet usefully take part in European discussions having a political bearing. In particular, there is a marked unanimity in the sentiments of disinclination to see an American delegate sit at the same table with a representative of the Soviet Republic.

As regards the sentiment in Congress, the only Senators who show any disposition to take up the cudgels strongly in favour of the resumption of relations with Russia are Senators Borah of Idaho, Watson of Georgia, and France of Maryland and there seems no likelihood, in the present circumstances, of any pressure being brought to bear by Congress in favour of a modification of the present policy of the Administration.

As a certain amount of misapprehension appears to have prevailed at Genoa in regard to the intentions of the American Government at the time when the official request for American participation in The Hague Conference was put forward, it may be useful that I should briefly record the events which led up to the American refusal.

On Sunday, May 14th, my French Colleague called upon the Secretary of State and delivered a message from M. Poincaré enquiring whether the United States Government would be willing to take part in an investigation of Russia's economic position.<sup>4</sup> This message was interpreted by Mr. Hughes as referring to Russia's internal economic position. The President was out of town but Mr. Hughes saw him at midnight after his return. Both were of the opinion that enough was already known of the situation in Russia; they

<sup>1</sup> See No. 140, n. 17.

<sup>2</sup> Not printed.

<sup>3</sup> See No. 132, n. 17.

<sup>4</sup> Cf. *F.R.U.S.*, 1922, vol. ii, p. 804.

agreed, however, that, if all the Allied Powers wished to hold an examination of this character, the United States should take part. The American Ambassador at Rome was immediately informed to this effect.<sup>5</sup> On the following morning, however, statements appeared in the Press which threw a different light upon the objects and scope of the proposed Hague Commission, indicating that it was not Russia's internal situation alone which was to form the subject of expert examination. The Secretary of State asked M. Jusserand<sup>6</sup> for an explanation of this divergence but the Ambassador was unable to throw any light on the matter.<sup>7</sup> These press reports were confirmed later in the day by a telegram from Mr. Child<sup>8</sup> which was published on the following day. Thus, the original American acceptance of the invitation to take part in the Commission's labours was apparently due to an incorrect idea having been conveyed by the French Government in regard to the scope of the work upon which the Commission was to engage.

I have &c.,  
A. GEDDES

<sup>5</sup> Ibid., p. 805.

<sup>6</sup> M. J. J. Jusserand, French Ambassador in Washington.

<sup>7</sup> See *F.R.U.S.*, 1922, vol. ii, pp. 808-9.

<sup>8</sup> Ibid., pp. 806-7.

## No. 145

*The Earl of Balfour to Sir C. Marling<sup>1</sup> (The Hague)*

*No. 27 Telegraphic [N5311/646/38]*

FOREIGN OFFICE, *June 2, 1922, 6 p.m.*

YOUR telegram No. 27 of May 30th.<sup>2</sup> Hague Commission.

We concur in first paragraph,<sup>3</sup> and first sentence of second paragraph.<sup>4</sup> So far as His Majesty's Government are concerned, commission is regarded as one purely for business and practical discussion.

<sup>1</sup> H.M. Minister at The Hague.

<sup>2</sup> Not printed.

<sup>3</sup> This ran: 'Minister for Foreign Affairs informed me to-day that he was in considerable perplexity as to the general procedure. He felt for instance that it would be difficult for the Dutch Government to give the Delegations any formal general reception, which could scarcely take place before the arrival of the Russians, while to defer it until 26th June "leur ferait trop d'honneur"', and he suggested that he might receive and welcome the delegations separately.'

<sup>4</sup> This ran: 'His Excellency believes that the success of the conference can be best assured by insisting rigidly on it as a conference of experts, who would conduct their conversations and discussions as a matter of pure business without any admixture of politics, and with the least possible publicity and attentions from the press; his remarks on this point suggested that he would have preferred to see none but experts and even regretted that there were ministers included in the British delegation though he at once disclaimed any such view and explained that what he had in mind was the intention at one time entertained by some of the minor "neutral" Powers to appoint their Diplomatic Representatives here as to the nominal leadership of their delegations.'

No. 146

*The Earl of Balfour to Sir C. Marling (The Hague)*

*No. 29 Telegraphic [N5411/646/38]*

FOREIGN OFFICE, *June 2, 1922, 6 p.m.*

His Majesty's Government have been requested by Italian Prime Minister to inform Secretary-General of Hague Commission, care of Ministry for Foreign Affairs, names of their representatives and staff.<sup>1</sup>

Please inform Secretary-General that His Majesty's Government cordially accept Signor Facta's invitation. Their representatives will be Sir P. Lloyd-Greame<sup>2</sup> and Lieutenant-Commander Hilton Young.<sup>3</sup> Details of Indian and Dominion representation and of staff will be sent later.

<sup>1</sup> See No. 143, n. 1.

<sup>2</sup> See No. 68, n. 1.

<sup>3</sup> Financial secretary, Treasury.

No. 147

*Lord Hardinge (Paris) to the Earl of Balfour (Received June 3, 10 p.m.)*

*No. 303 Telegraphic [N5377/646/38]*

PARIS, *June 3, 1922, 8.15 p.m.*

Note<sup>1</sup> just received from French government encloses long memorandum<sup>2</sup> containing conditions which French government consider essential for conference experts at The Hague if a practical result is to be reached. Copies go by despatch.<sup>3</sup> The memorandum may be briefly summarised as follows:—

1. The meeting at The Hague is to be one solely of experts.
2. The Russian memorandum of May 11th<sup>4</sup> is an impossible basis of discussion.
3. The experts are to draw up a definite scheme for reconstitution of Russia complete in detail showing various stages and allotting to various countries the rôles they are to play.
4. The whole world must be agreed on this plan before it is presented to the Russians.<sup>5</sup>
5. The five days from June 15th to June 20th are too short to do the necessary work.

<sup>1</sup> Of June 2, not printed.

<sup>2</sup> Not printed. For a summary of this Memorandum, see *The Times*, June 5, 1922, p. 5.

<sup>3</sup> Paris despatch No. 1332 of June 3, not printed.

<sup>4</sup> See No. 122, n. 2.

<sup>5</sup> In his telegram No. 198 of June 4, Sir R. Graham commented: 'Italian press publishes resumé of French memorandum regarding future negotiations with Russia. Italian Minister for Foreign Affairs has not yet received text but thinks memorandum implies kind of ultimatum to Russia before meeting at the Hague on June 15th.'

'In His Excellency's opinion terms of any communication with Russia ought to be decided at this meeting which may be rendered abortive by any preliminary ultimatum.'



This memorandum is I understand being addressed to all governments invited to The Hague.

French government enquire whether His Majesty's Government share their views.

No. 148

*The Earl of Balfour to Lord Hardinge (Paris)*

*No. 1761 [N5381/646/38]*

FOREIGN OFFICE, *June 10, 1922.*

My Lord,

I transmit to your Lordship herewith a copy of a memorandum which has been prepared<sup>1</sup> in reply to the French memorandum of the 2nd June,<sup>2</sup>

<sup>1</sup> In a minute of June 10 to Sir E. Crowe, Lieutenant-Commander Maxse described the preparation of this document as follows: 'On Thursday evening [June 8], not having received any draft from the Foreign Office, the Prime Minister instructed Sir Edward Grigg to prepare a draft reply to the French Memorandum on "argumentative" lines and refusing in detail the controversial points made by the French Government.

'Before leaving town on Friday, the Prime Minister had a short consultation with Lord Balfour and they agreed:—firstly, that the reply should be a fully-reasoned one: secondly, that it should be published in the Press as soon as the French Government had received it. (The Prime Minister felt strongly that he could not leave the French Memorandum unanswered in the Press.) Thirdly, that the final draft should be settled by Sir Philip Lloyd-Greame and Mr. Hilton Young. I understand that, whereas Lord Balfour had been supplied with the Foreign Office draft and the Prime Minister with Sir Edward Grigg's draft, each had a hasty look through the other draft before (or while) coming to this decision.

'A small meeting was immediately held in Mr. Hilton Young's room at which were present Sir Philip Lloyd-Greame, Sir Edward Grigg, Sir Sydney Chapman, Mr. Gregory, Sir Basil Blackett and myself. Mr. Vansittart was also present part of the time. After considerable discussion Sir Edward Grigg's draft was adopted as the basis, but the more provocative sentences were omitted and certain portions of the Foreign Office draft were incorporated.

'The final draft was prepared late last night and was considered by Mr. Lindsay this morning, who felt unable to sanction its despatch in your absence as the final text had not been seen either by the Prime Minister or Lord Balfour. Sir Philip Lloyd-Greame was informed of this decision and arranged for Mr. Hilton Young to see the Prime Minister about it at lunch-time today. They made one or two slight amendments and I received the amended draft from Mr. Sylvester at No. 10 shortly after 3 o'clock with instructions that it was to be despatched to Lord Hardinge for immediate presentation to the French Government this evening and it was to be published in the English Press as soon as the French Government had received it.' [The British Memorandum was published in *The Times*, June 12, p. 18.]

Mr. Gregory commented on June 10: 'The main difference between our draft and the first Grigg draft was in the tone. The latter was such that the French would, I think, almost inevitably have been stung into withdrawal. The sting has now been largely removed, but even so the new draft is not nearly so conciliatory as ours. But the argumentative part which has been preserved seems to me a considerable improvement.'

<sup>2</sup> See No. 147.

which was transmitted by Sir Milne Cheetham in his despatch No. 1332 of the 3rd June.<sup>3</sup>

I should be glad if you would transmit this memorandum to the French Government at the earliest possible moment.<sup>4</sup>

I am, &c.

BALFOUR

ENCLOSURE IN NO. 148

*Memorandum in reply to the French Memorandum of June 2, 1922.*

His Majesty's Government have given close attention to the memorandum on the work of The Hague commissions presented to His Majesty's Chargé d'Affaires in Paris by His Excellency the President of the Council on the 2nd June. They have been anxious to return a prompt and helpful reply, but have found some difficulty in doing so, because the argument of the French memorandum appears to rest upon some confusion of thought, and also to show some unfamiliarity with the ground covered by the Genoa Conference. It would not, in their opinion, serve any useful purpose to call attention to these features of the French memorandum in a controversial spirit. They propose, therefore, to deal as simply as possible with—

- I.—The procedure to be adopted at The Hague;
- II.—The general lines on which they have instructed their representatives to proceed;
- III.—The subjects to be discussed.

Inasmuch as their views upon all these three aspects of The Hague meeting were clearly enunciated at Genoa, they will content themselves with calling attention to certain points, as they arise, in which the French memorandum of the 2nd June appears to be unpractical or inconsistent with the Cannes resolutions and with the conclusions reached at Genoa.

*I.—Procedure at The Hague.*

2. The Hague Conference is to be a conference of experts. His Majesty's Government do not propose to send representatives in any other character or capacity. The fact that the two chief British representatives are Parliamentary Under-Secretaries will not affect this principle. Both are experts—the one in finance, the other in business. They will not be plenipotentiaries, and any settlement which they make will be *ad referendum* to His Majesty's Government.

<sup>3</sup> Not printed. Sir M. Cheetham was Minister in H.M. Embassy in Paris.

<sup>4</sup> In his telegram No. 317 of June 11, not printed (N5599/646/38), Lord Hardinge reported that the Memorandum had been handed, early on June 11, to the Political Director of the French Ministry for Foreign Affairs. Mr. Gregory minuted on June 12: 'M. Giannini, the Italian Representative to the Hague Commission, told me this afternoon that he was with M. Seydoux in Paris when the memorandum reached him. M. Seydoux, after reading it, said "The English are perfectly right". Unfortunately M. Seydoux's opinion is of no political importance.'

3. His Majesty's Government have no intention of appointing political or diplomatic representatives to a preliminary conference at which experts would be nominated and the principles of procedure laid down. They would regard any such arrangement as dilatory and superfluous. The object with which the representatives of the non-Russian Powers were invited to meet at The Hague ten days before the Russian representatives was simply to provide for the constitution of the non-Russian commission and the choice of methods of procedure such as the appointment and distribution of work among sub-commissions, where necessary. His Majesty's Government see no reason for any preliminary discussion of principle. On the contrary, they would regard any such discussion as a superfluous retracing of ground already covered at Genoa, and would oppose it strongly. The Hague commissions were proposed in order to provide an opportunity for a practical discussion of the Russian problem by experts. Arguments on principle, when presented to the Russians, would only produce those counter arguments which the French Government desires to prevent and would thus create an opportunity for that very propaganda which, in common with all other civilised Governments, it severely reprobates.

4. His Majesty's Government therefore see no reason for any extension of time between the 15th June, when the non-Russian representatives arrive at The Hague, and the 20th June, when the constitution of the non-Russian commission is to be complete, or the 26th June, when the non-Russian and Russian commissions are to meet.

5. His Majesty's Government are also resolutely opposed to the suggestion made in the French memorandum that the Russian memorandum of the 11th May<sup>5</sup> should be withdrawn before The Hague commissions meet. No question of calling for the withdrawal of this document was raised at Genoa. On the contrary, at the final plenary session all the delegations,<sup>6</sup> including the French delegation, accepted the proposal for the appointment of the commissions which will meet at The Hague. In these circumstances His Majesty's Government, in common with others, have regarded the memorandum of the 11th May as superseded by the proceedings and decisions of the plenary session; and they concur in the view that the commissions at The Hague should entirely disregard this document. Indeed, to call for its withdrawal at the present stage would be to introduce a fresh condition not assented to or contemplated by the parties when the agreement for The Hague Conference was made at Genoa. Had it been intended to impose this withdrawal as a condition precedent to discussion amongst experts at The Hague, it surely ought in fairness to all parties to have been raised at Genoa.

## II.—*The General Lines of Settlement.*

6. His Majesty's Government are all the more ready to accept the contention of the French Government that the Cannes resolutions<sup>7</sup> must govern the deliberations of The Hague Conference, since the British Empire delegation at Genoa consistently pressed those resolutions as essential to any

<sup>5</sup> See No. 122, n. 2.

<sup>6</sup> See No. 142.

<sup>7</sup> See No. 6, Appendix.

settlement of the Russian problem. The Russian delegation accepted the Cannes resolutions in principle at the first plenary session of the Genoa Conference,<sup>8</sup> with the reasonable proviso that they should be reciprocal, and they reiterated their readiness to stand by the third resolution, on which the French memorandum lays especial stress, in their memorandum of the 11th May.

7. There is nothing in the French memorandum of the 2nd June with which His Majesty's Government are in more complete accordance than the argument which it ably sustains that the Cannes resolutions must not be used singly as convenience may dictate, but accepted as a whole. They must therefore take occasion to point out that some of the contentions of the French Government are inconsistent with its own argument in this respect.

8. In the matter of private property, for instance, the French Government contends that foreign claimants have 'the right to demand its return'. The only exception which it admits to this right is in the case of cultivable land, where peasant owners would have to be evicted if the property were to be returned. His Majesty's Government cannot accept this contention. Every State has the right compulsorily to acquire private property, whatsoever its nature, on payment of just compensation. Every State has exercised that right down to the most recent times. The French Government's argument in this connection is contrary to the first Cannes resolution because it contravenes an acknowledged right of sovereign States throughout the world. Whether the Russian Government makes restitution of private property alienated from its owners or pays compensation for it, is a matter solely for the Russian Government. His Majesty's Government would be repudiating British principle and British practice if they took any other view; and they think it hardly necessary to prove that this principle and this practice are common to the French Government, the Government of the United States, and to civilised Governments in every continent. To attempt to force any other principle upon the Russian Government would be to demand of Russia what no sovereign State has ever been willing to concede. They entirely agree, however, that the compensation must be real, not shadowy.

9. His Majesty's Government also agree that the surest way for the Russian Government to restore the prosperity of its country and to obtain capital for that purpose will be by securing the return to their undertakings of those who, by their skill and experience, have done so much to assist Russia in the past; but, subject to the principle of compensation, this is a matter within the competence of the Russian Government, and the fact that it would be a wise and prudent course does not give to the Governments of other countries the power to demand it as of right.

10. The same objection applies with equal force to the French Government's contention that the Non-Russian commission 'have first to agree on a plan for the restoration of Russia, a plan complete in detail, proceeding by stages and apportioning the rôles to be played, both from the point of view of reconstruction and of credits'. It would be quite impossible to arrive at such

<sup>8</sup> See No. 67.

a plan without presuming the right to dictate to Russia on a thousand matters which are absolutely subject to her own control as a sovereign State. Russia is a sovereign State, whatever opinion foreign Powers may hold of the character of her Government. To endeavour to assume the contrary is not merely a waste of time, it is a denial in the single case of Russia of those very principles to which Europe wishes Russia to return—principles deeply rooted in European civilisation which govern the relations of all self-respecting and other respecting States.

11. Separate consultations will, indeed, be constantly necessary between the members of the Non-Russian commission—no less than a general measure of agreement on the method of approach to the subjects to be discussed with the Russian commission; but to suggest, as the French memorandum does, that the Non-Russian commission should elaborate a complete scheme of Russian reconstruction without reference to the Russian delegation and should then present it as an ultimatum for Russia to take or leave is to make a travesty of the purposes entrusted by the Genoa Conference to The Hague commission. If that were the object with which the Non-Russian commission was to be assembled at The Hague, it would have been more courteous, as well as more practical, not to invite the Russian commission there at all. The difficulty of the Russian problem resides, moreover, not in the enunciation of the principles on which Russia may expect assistance from Western capital and resource, but in the application of those principles to the special circumstances of Russia at the present time. Consultation and co-operation with the representatives of Russia is absolutely necessary if The Hague is to give any practical results in this respect. It was made clear at Genoa that this was to be the purpose and the method of The Hague commission's work, and His Majesty's Government are not prepared to adopt any other method.

12. They disapprove the method proposed by the French Government not only because in their opinion it is unpractical, but also because they regard it as inconsistent with another principle to which the French Government itself attaches the greatest importance—namely, the avoidance of politics. His Majesty's Government remain of the opinion, which they expressed at Genoa, that The Hague commissions should confine themselves to the practical aspect of the Russian problem. In other words, they desire that The Hague commissions shall consider the question of the debts, the question of private property, and the question of credits as experts dealing with experts, treating each case on its merits in accordance with the common-sense maxims which govern business throughout the world.

### III.—*Business at The Hague.*

13. It remains to outline, in accordance with the conclusions reached after full discussions at Genoa, the practical business which His Majesty's Government desire The Hague commissions to transact.

14. They desire, in the first place, that practical arrangements shall be made with regard to the Russian debts. The French memorandum

recapitulates the distinction between pre-war and war debts in terms rendered familiar by the Genoa Conference. This distinction, which was clearly laid down by the British delegation at the very outset of the Genoa discussions, His Majesty's Government still maintain. The Russian delegation at Genoa admitted at one point of the Genoa discussions their willingness to recognise both kinds of debt, provided that, in the case of the pre-war debts, an arrangement could be reached with the representatives of the bondholders regarding the remission and postponement of interest, and that in the case of the war debts the creditor Governments should in assessing Russia's liability take into account her condition and ability to pay.<sup>9</sup> With regard to the former, the representatives of the bondholders will naturally be at The Hague and ready to assist the experts in establishing some practical machinery by which their interests may be met. With regard to the latter, provided that Russia acknowledges liability, His Majesty's Government stand by the undertaking given in the Villa d'Albertis memorandum of the 15th April<sup>10</sup> to write off some considerable part of Russia's war debt to themselves in consideration of her present state.

15. His Majesty's Government desire, in the second place, that The Hague commissions shall consider in detail the restitution of, or compensation for, private properties confiscated or withheld. They repeat that they are determined that where properties are to be restored they shall be offered in the first instance to their former owners, and that, where restoration is not made, full compensation shall be paid. It appears to them unprofitable to attempt to decide in advance upon the form which compensation is to take. Such questions are for the experts to investigate.

16. In the third place, His Majesty's Government propose that The Hague commissions shall discuss the subject of credits. They find no fault in the considerations advanced in the French memorandum on this topic, but they do not understand the necessity for laying down a series of maxims in advance. If Russia is to secure credits, she can secure them only from private lenders who consider the security adequate. This condition applies equally to credits from private individuals or organisations for the promotion of business in Russia and to loans, if any such be forthcoming, from private individuals to the Russian Government. The business community of Europe will not assist Russia with credits except upon terms which it considers satisfactory. The Hague commissions are to consider whether such terms can be arranged and what action Governments can take to facilitate these credits. The need of Russia to borrow is out of all proportion to the desire of Europe or America to lend. His Majesty's Government therefore see no reason for tying down The Hague commissions in this respect or for apprehending the 'surrender of Europe' to any Russian arguments which business men are not ready to accept.

17. At the same time, they do not disguise their strong desire that these three questions, and more particularly that of private property in Russia, shall be satisfactorily solved at The Hague. A protraction of present con-

<sup>9</sup> See No. 72.

<sup>10</sup> See No. 74, Appendix.

ditions is bound to lead to a struggle between concession-hunters of all nations for titles in Russia which, without substantially assisting her recovery, will produce grave controversy between the Governments of the countries to which the concession-hunters belong. There is no means open to Governments of controlling a movement of this kind, however much they may disapprove it and dislike its influence upon their relations with friendly Powers.

18. For this and for other even more cogent reasons which they pressed with all the power at their command in the Genoa Conference, His Majesty's Government believe that the practical application of the Cannes policy by The Hague commissions is urgently required, not only for the cause of humanity in Russia but for the practical necessities of European reconstruction, the maintenance of good relations between the Allies, and the establishment of a genuine peace in Europe.<sup>11</sup>

<sup>11</sup> Copies of this Memorandum were later transmitted by the Foreign Office to the Representatives in London of the Powers invited to The Hague.

## No. 149

### *The Earl of Balfour to the French Ambassador*

[N5323/646/38]

FOREIGN OFFICE, *June 10, 1922*

Your Excellency,

I have duly considered the memorandum of the 29th May,<sup>1</sup> which your Excellency was good enough to leave with me, on the subject of the Pact of non-aggression concluded at Genoa.<sup>2</sup> In reply I have the honour to state that the engagements included in that Pact were certainly understood by the British delegates present at the final meeting of the Genoa Conference<sup>3</sup> to become operative by the fact of the adoption of the sixth clause of the Resolutions submitted. His Majesty's Government believe moreover, that this was the view of the President of the Conference in submitting the Resolutions,

<sup>1</sup> This ran: 'Le Gouvernement français, bien qu'ayant réservé sa liberté d'appréciation, désirerait savoir si le Gouvernement britannique considère les engagements de s'abstenir de tout acte d'agression et de toute propagande subversive comme valablement et véritablement conclus avec le Gouvernement des Soviets. (La clause 6 discutée à la dernière séance plénière prévoit une confirmation ultérieure. La déclaration de M. Facta considère, au contraire, l'engagement comme déjà contracté.)

'Dans l'affirmative:

Quelle serait la portée d'un tel engagement?

Le Gouvernement des Soviets s'est-il pour sa part, et selon le Gouvernement britannique, d'ores et déjà engagé?

Y aurait-il lieu, au contraire, pour le Gouvernement de Moscou de renouveler cet engagement à La Haye? Sous quelle forme dans ce cas serait-il renouvelé, de manière à ne pas équivaloir à une reconnaissance *de jure* des Soviets?'

<sup>2</sup> See No. 138, Annex.

<sup>3</sup> See No. 142.

which must accordingly be held to be binding on those Powers which either there and then, or subsequently, signified their acceptance of them.

2. The duration of these engagements is considered by His Majesty's Government to be as stated in the clause, namely 'a period of four months from the conclusion of the work of the Commission'.

3. Regarding, as they do, the Soviet Government definitely bound by these engagements at the present moment in virtue of their acceptance of the Resolutions, His Majesty's Government do not consider that there is any need for the Soviet Government to renew these engagements at The Hague.

4. While, however, His Majesty's Government take the view that all the Powers who assented to the sixth clause of the Resolution adopted at the final session have in fact accepted the pact of non-aggression and are in honour bound to observe it, they admit that it is not expressed in ordinary diplomatic form. But in their opinion the operative force of the clause suffers no diminution thereby, if all the circumstances of the case be taken into account, inasmuch as, though the tense used was the future, the acceptance was in the present.

I have, etc.

J. D. GREGORY  
(for the Earl of Balfour)

#### No. 150

*Draft Minutes of a Meeting of the British Empire Delegation, Genoa, held at 10, Downing Street, S.W., on Monday, June 12, 1922, at 5.20 p.m.*

[N6556/646/38]

**PRESENT:** *Great Britain:* The Rt. Hon. D. Lloyd George, O.M., M.P. (*in the Chair*), The Rt. Hon. Sir Robert Horne, G.B.E., K.C., M.P., The Rt. Hon. Sir Laming Worthington-Evans, Bt., M.P., Sir Philip Lloyd-Greame, K.B.E., M.C., M.P., Lieutenant-Commander E. Hilton Young, D.S.O., D.S.C., M.P.

*Australia:* The Rt. Hon. Sir Joseph Cook, G.C.M.G.

*Canada:* Sir Charles Blair Gordon, G.B.E., Professor Montpetit.

*India:* Mr. D. M. Dalal, C.I.E.

*South Africa:* The Hon. Sir Edgar Walton, K.C.M.G.

**SECRETARY:** Sir Maurice Hankey

*Note.* The members of the British Empire Delegation, Genoa had been invited at short notice to come to 10, Downing Street in order that a photograph of the Delegation might be taken, this being the first occasion on which the majority of the Delegation had been present together whether at Genoa or London.

Advantage was taken of their presence to hold a meeting of the British Empire Delegation.

THE PRIME MINISTER asked Sir Philip Lloyd-Greame to describe the general lines on which he proposed to proceed at The Hague.



SIR PHILIP LLOYD-GREAME said that he and Lieutenant-Commander Hilton Young had contemplated proceeding on the general lines of the Note to M. Poincaré.<sup>1</sup> Their object was to tackle the matter in hand in a business-like way and to make a business recommendation. The moment they had seen the French Note<sup>2</sup> they had felt that it was indispensable that a reply should be sent. Now the reply which had been sent would form the basis of their proceedings. One result which he hoped for from the Note was to keep the majority of the Powers on the British side at The Hague. Apart from this their idea was that the Commission to deal with the Russians should be kept as small as possible without cutting out any Power who had a right to be present.

He thought that the best plan would be for the Commissions to split up at an early stage into three Committees dealing respectively with credits, property and bonds. If they endeavoured to deal with these three questions in a single body great difficulties would arise as to which subject was to be taken first. By dividing into three Committees this trouble was surmounted.

They had arranged matters with the various interests in this country, for example, the British bond-holders who were inclined to be more reasonable than the French bond-holders. On their behalf Messrs. Goschen<sup>3</sup> and Baring<sup>4</sup> had said that the British bond-holders would rather get something in hand than allow the negotiations to drag on indefinitely, perhaps without anything at the end. These two gentlemen, however, did not like the idea of private negotiations being conducted with the Russian Soviet Government every year and would prefer to have a Commission set up at once. They would take anything which such a Commission recommended, he thought. They had also arranged to have available representatives of the various British interests in Russia who would be willing, if necessary, to go to Russia and negotiate on the spot.

SIR ROBERT HORNE asked if he referred to the people with industrial interests as distinct from those with landed interests.

SIR PHILIP LLOYD-GREAME said they had arranged for a panel representing all the different interests.

THE PRIME MINISTER asked how they proposed to approach the question of credits? He recalled that M. Krassin and M. Litvinoff had had some big schemes with regard to credits in Russia. How was that to be considered?

SIR PHILIP LLOYD-GREAME said that this would be considered simply as a business proposition from the point of view of what ought to be considered first.

SIR L. WORTHINGTON-EVANS recalled that the Russian Soviet Representatives at Genoa had had a scheme for a railway 15,000 miles in length.<sup>5</sup> He thought this was worth examining.

THE PRIME MINISTER said he hoped they would get real experts this time and not people like M. Chicherin who had no special expert knowledge.

<sup>1</sup> See No. 148, Enclosure.

<sup>2</sup> See No. 147.

<sup>3</sup> Sir Harry Goschen, Chairman of the London Clearing Banks in 1918.

<sup>4</sup> Mr. H. W. Baring, Managing Director of Baring Brothers and Company Ltd.

<sup>5</sup> See No. 114.

SIR PHILIP LLOYD-GREAME said that it would be a great advantage if M. Lomonosoff<sup>6</sup> could be there, then they could get down to business.

THE PRIME MINISTER agreed.

LIEUTENANT-COMMANDER HILTON YOUNG thought the best plan would be to make the Russians explain precisely the purpose for which they required credits; then they could tell them the best means of obtaining them.

THE PRIME MINISTER remarked that one reason why the Russians wanted a little cash, according to his opinion, was to relieve the situation in Moscow.

LIEUTENANT-COMMANDER HILTON YOUNG observed that a State which could establish its credit could always raise money.

SIR PHILIP LLOYD-GREAME asked if there was not some real asset which the Soviet Government could pledge. Their only real assets were their exports which were not very large.

SIR L. WORTHINGTON-EVANS said that Russia had some platinum. If they had this, or flax, for example, they might raise money as the Brazilians had done in the case of coffee.

LIEUTENANT-COMMANDER HILTON YOUNG said that the International Corporation<sup>7</sup> would be the proper medium for dealing with such a proposition.

SIR L. WORTHINGTON-EVANS agreed.

SIR JOSEPH COOK asked if it was contemplated to arrange proposals in some definite order; for example, to take transport first.

SIR PHILIP LLOYD-GREAME replied in the negative. The only hopeful scheme was to take transport not as a separate entity but to combine it with the development of something exportable. It was no use developing transport unless revenue producing assets were also developed in order that transport might have something to carry.

SIR L. WORTHINGTON-EVANS wished to raise a question of principle in regard to the proposed Bond-holders Commission. If there were an International Commission the French would obstruct every sensible proposal. If, however, there were established National Bond-holders Commissions the British and Belgians, for example, might be in a position to say that they would go on irrespective of the other Commissions. This would give a great reserve for pressure on the French. He would therefore be inclined, in the first instance, to begin with National Commissions which later on might combine into an International Commission.

LIEUTENANT-COMMANDER HILTON YOUNG suggested that this would not be of much use unless greater progress had been made than at present on the question of principle.

SIR L. WORTHINGTON-EVANS suggested that they might begin by exploring the situation as regards the bonds held by the different nationals, afterwards combining in the International Commission.

SIR PHILIP LLOYD-GREAME remarked that this was a good line. The British

<sup>6</sup> Professor Lomonosoff, Head of the Russian Railway Commission abroad.

<sup>7</sup> See No. 34, minutes 10 and 11.

bond-holders however were not, he thought, much inclined to enter into separate negotiations. Hitherto they had rather dealt with the matter internationally. For example, the British bond-holders had even been willing to entrust their interests to M. ter Meulen.<sup>8</sup> He doubted therefore if they would be willing to undertake separate negotiations.

SIR L. WORTHINGTON-EVANS said that the fear of the French and the Belgians was that the British and Americans might continue separately.

THE PRIME MINISTER remarked that this fear related mainly to property.

SIR L. WORTHINGTON-EVANS agreed that this was the case. They were afraid that because the British and Americans had capital the Russians would be more inclined to deal with them, and so they might get better terms.

THE PRIME MINISTER said he had been impressed with the point raised by Sir Joseph Cook. The Russians said 'you can repair our railways and put locomotives in', but unless there was something for the railway to carry, of what value was that? The Russians would say that the railways could carry agricultural implements. It was, however, of no use supplying agricultural implements if the farmers were starving and had no clothes. He asked if the British delegates had thought out a combined scheme by which all the needs of a great district might be supplied? Great Britain, for example, could not supply seed.

SIR L. WORTHINGTON-EVANS recalled that a scheme had been discussed at Genoa for the establishment of syndicates to cover some district in respect of transport and everything else.<sup>9</sup> The International Corporation could undertake such a scheme.

THE PRIME MINISTER said that perhaps Canada and Australia could supply seed.

SIR JOSEPH COOK asked who was expected to supply, the Governments or individuals?

THE PRIME MINISTER replied that it was the individuals. Great Britain had her Export Credits Scheme and Trade Facilities Act,<sup>10</sup> and, to a certain extent, could finance the individuals taking up the scheme. Of course the Australian and Canadian Governments, if they thought fit, could do something of the same kind.

LIEUTENANT-COMMANDER HILTON YOUNG remarked that a Herr Deutsch<sup>11</sup> had had some such scheme for taking over the districts of Odessa or Petrograd. This seemed to be the right way to begin but something bigger was required.

THE PRIME MINISTER remarked that if the British Empire could take over a district it could supply everything that was required in that area.

SIR PHILIP LLOYD-GREAME said that the Italians had taken over an area themselves.

SIR L. WORTHINGTON-EVANS, in reply to some remarks by Sir Charles Gordon, said it was necessary to arrange for the whole of a particular scheme to synchronise.

<sup>8</sup> See No. 29, n. 17.

<sup>9</sup> See No. 93.

<sup>10</sup> See No. 81, n. 5.

<sup>11</sup> Presumably Felix Deutsch, President of the Allgemeine Elektrizitäts Gesellschaft.

THE PRIME MINISTER said that it would not be practical to induce the Soviets to come into these schemes unless they could obtain what they wanted.

SIR PHILIP LLOYD-GREAME said that eventually the problem came down to this, that the peasants of Russia alone could produce an exportable surplus, but they would only do so if they got what they required. That was the reason why the Soviet Government had already allowed private trading with the peasants.

THE PRIME MINISTER said it would also be necessary for Moscow to approve the arrangements.

SIR JOSEPH COOK said he could not see why the scheme proposed should not attract Moscow.

LIEUTENANT-COMMANDER HILTON YOUNG remarked that if only the peasants could be induced to work, then the whole system of credit could be built up, as it ought to be built up, from the bottom.

SIR PHILIP LLOYD-GREAME interpolated at this point that he had received information to the effect that in spite of the various despatches from Mr. Hughes, the American Secretary of State,<sup>12</sup> Mr. Hoover<sup>13</sup> was very interested in The Hague, and a Mr. Goodridge had come over to watch developments.

THE PRIME MINISTER remarked that this was rather similar to their attitude at Genoa, where Mr. Childs, the American Ambassador at Rome, had watched the Conference. He then asked what Sir Philip Lloyd-Greame proposed in regard to property?

SIR PHILIP LLOYD-GREAME said that the idea was to approach the Russian delegates from the point of view of practical business and not principles; to say to them, 'Here are certain assets, what is the exact position? Let us get down to facts. The old owners of this property recognise your difficulties; what can you offer them to attract them back in order to develop these properties?'

THE PRIME MINISTER said that the difficulty was that the owners of property would not put up merely with leases.

SIR L. WORTHINGTON-EVANS said that there was no objection to leases in regard to oil.

THE PRIME MINISTER said that Sir Arthur Shirley Benn<sup>14</sup> had stated that they did not like leases.

SIR L. WORTHINGTON-EVANS said that this objection did not apply to oil, which was a wasting property.

LIEUTENANT-COMMANDER HILTON YOUNG remarked that, so far as he knew, very few countries granted freehold rights in respect of such things as oil or minerals.

THE PRIME MINISTER said that freeholds had been granted in the case of timber concessions.

At this point The Prime Minister remarked that M. Jaspar<sup>15</sup> had said he would come to England, but he had not appeared as yet.

<sup>12</sup> See, for example, No. 132, n. 17.

<sup>13</sup> Mr. Herbert Hoover, United States Secretary of Commerce.

<sup>14</sup> Member of Parliament for Plymouth since 1910, former British Vice-Consul, Mobile, and Managing Director of Hunter, Benn and Company.

<sup>15</sup> See No. 5, n. 2.

SIR PHILIP LLOYD-GREAME said he had written to M. Cattier and asked him to come to The Hague in advance.

THE PRIME MINISTER expressed satisfaction that M. Cattier was to be at The Hague.

SIR PHILIP LLOYD-GREAME then raised the question of the amount of credits that could be made available.

LIEUTENANT-COMMANDER HILTON YOUNG said that it was comprised in the Trade Facilities Act, the Export Credits Scheme, and the International Corporation.<sup>16</sup>

SIR L. WORTHINGTON-EVANS said that the International Corporation was essentially the Chancellor of the Exchequer's affair, although he had taken an interest in it when the Chancellor of the Exchequer was not available. His own view was that if the Government showed any hesitation in regard to the International Corporation it would not be a success. The Government would have to stick to it and put a good deal of 'drive' in. They could then force its acceptance.

SIR PHILIP LLOYD-GREAME pointed out that the Export Credits Scheme came to an end, as regards new credits, in September for ordinary business. He had come to the conclusion, on the advice of his very strong Committee, that it was not necessary to maintain it so far as ordinary business was concerned. He had put in hand £14,000,000 worth of business through the Export Credits Scheme. Now, however, advantage was not being taken of it. Money being freer, the banks were themselves advancing the money to traders. His Committee therefore considered it unnecessary to continue the scheme. The question therefore arose as to whether, if it were renewed, it would be for Russia only or generally.

THE PRIME MINISTER, THE CHANCELLOR OF THE EXCHEQUER and SIR L. WORTHINGTON-EVANS all agreed that it should be continued on a general trade basis.

SIR PHILIP LLOYD-GREAME asked whether, in that event, he ought to ask for general powers to continue the Scheme for a year.

SIR ROBERT HORNE thought that this should be done.

LIEUTENANT-COMMANDER YOUNG said that the Trade Facilities Act would also want tinkering.

THE PRIME MINISTER pointed out that the essential point was that 1,500,000 people were out of employment, and it was important to neglect no means of creating trade to give employment.

SIR ROBERT HORNE said that about £18,000,000 was allocated out of £25,000,000 under the Trade Facilities Act. He doubted whether the existing Committee could continue. This Committee had worked most admirably, exactly in the way in which the members would work at their own business. The whole of the service, however, had been gratuitous, and he doubted if such men as Sir Robert Kindersley<sup>17</sup> and Sir William Plender<sup>18</sup> would be willing to continue, owing to their own great personal interests.

<sup>16</sup> See No. 81, n. 5, and No. 34, minutes 10 and 11.

<sup>17</sup> See No. 8, n. 1.

<sup>18</sup> Honorary Financial Adviser to the Board of Trade.

SIR EDGAR WALTON expressed doubts as to whether the Scheme ought to be gratuitous. He had seen it at work and had seen how thoroughly these men conducted the business, and how much time they gave to it.

LIEUTENANT-COMMANDER HILTON YOUNG thought it essential, in order to make the credit side of the business attractive, that there should be an International Corporation. For example, a Scheme such as had been discussed for the development of the Odessa area, could not be carried out with anything less than the International Corporation. It was also required as a bargaining asset.

THE PRIME MINISTER expressed the view that the country which first got a footing in Russia would have a great advantage. It was the one great field of development with ample white labour available.

SIR L. WORTHINGTON-EVANS agreed that if the Scheme succeeded at all a great deal of employment would be obtained from it.

SIR EDGAR WALTON remarked that the first thing was to induce the Russians to give the necessary guarantees which would enable our traders to go in. If they could be obtained there would probably be something like a rush to do business in Russia. Business people, however, would not continue without some security.

SIR JOSEPH COOK suggested that at the moment Germany was more important than Russia. Normal conditions would not be restored in the latter country for years and years.

SIR PHILIP LLOYD-GREAME explained that Germany and the border States of Russia had formerly done much business with that country. Now they could not do this business, with the result that their purchasing power was diminished and they could not buy—for example, in Australia. What was desired was to start trade.

SIR JOSEPH COOK agreed that any starting of trade would react indirectly.

THE PRIME MINISTER asked who was to preside at The Hague.

SIR PHILIP LLOYD-GREAME said that M. van Karnebeek was to preside at the opening Conferences on June 15th. The Italians had suggested that there should be a British President, but he had felt that as the British delegates had a 'corner' to fight it would be inadvisable.

THE PRIME MINISTER suggested that in the later phases it might be useful for a British representative to be in the Chair.

SIR PHILIP LLOYD-GREAME suggested that perhaps M. Cattier would make a good Chairman.

SIR L. WORTHINGTON-EVANS said that M. Cattier did not like taking the Chair; he liked to conduct the cross-examination.

SIR PHILIP LLOYD-GREAME said they would like to feel their way on this question.

THE PRIME MINISTER thought perhaps it would be better to obtain the Chair at some of the Sub-Commissions.

SIR PHILIP LLOYD-GREAME hoped after the preliminary meetings all the delegates would leave The Hague, except those who were members of the Non-Russian Commission to negotiate with the Russians.

THE PRIME MINISTER said that he had no doubt, on thinking the matter over, that the important thing was to obtain the Chair at the Sub-Commissions on Credits and Property. The Chair in regard to Bonds might be left to the French. He thought if agreement could be reached on the two former points no difficulty should arise about the Bonds.

**No. 151**

*Sir G. Grahame (Brussels) to the Earl of Balfour (Received June 13, 3.15 p.m.)*

*No. 51 Telegraphic [N5711/646/38]*

BRUSSELS, June 13, 1922, 12.55 p.m.

Minister for Foreign Affairs says that Belgian Government are not adopting an attitude of stern negation as regards future negotiations concerning Russia. Presence of same Belgian experts at The Hague as at Genoa should show this. Belgian Government, while obliged firmly to maintain principle underlying attitude at Genoa, will be on watch for any opening which would lead out of the present *impasse*.

**No. 152**

*Lord Hardinge (Paris) to the Earl of Balfour (Received June 14)*

*No. 321 Telegraphic: by bag [N5712/646/38]*

PARIS, June 13, 1922

Following is summary of French reply<sup>1</sup> to British memorandum of June 10th<sup>2</sup> regarding the Hague Conference which was received this morning.

After an acid preamble the note expresses gratification at His Majesty's Government's agreeing that Governments should only send 'representatives'. French Government deplores that question of principle should not be discussed at preliminary meeting of non-Russian experts; and that no agreement on practical proposals to be presented to Russians should be reached before general meeting of June 26th. The note gives qualified adhesion to procedure proposed by His Majesty's Government<sup>3</sup> regarding Russian memorandum of May 11th,<sup>4</sup> but emphasizes that French Government have kept their hands free in this matter.

It is agreed that Cannes resolutions<sup>5</sup> must govern Conference.

With regard to private property note contends that restitution to owners should be the rule and compensation the exception: the French proposal alone guarantees the rights of foreigners in the interests of Russia; if presented

<sup>1</sup> In a Note of June 12, a copy of which was transmitted in Paris despatch No. 1403 of June 13, not printed. For a summary of this Note, see *The Times*, June 13, p. 7.

<sup>2</sup> See No. 148, Enclosure.

<sup>3</sup> See No. 127; see also No. 132, Annex and No. 138, Annex.

<sup>4</sup> See No. 122, n. 2.

<sup>5</sup> See No. 6, Appendix.

unanimously the Soviet Government would probably accept it as they did Italian conditions in Russo-Italian treaty.<sup>6</sup>

Memorandum urges sending experts to study conditions in Russia as a preliminary to drawing up plans for reconstruction. It goes on to maintain that no political question but only practical aspects of Russian debt, private property and credits should be discussed at the Conference, and that preliminary discussions apart from Russians should be held.

As to Russian war debts, France cannot now in the present circumstances accept any reduction, and she must insist upon the recognition and respect of and effective guarantees for the rights of holders of the Russian pre-war debt.

Before granting credits to Russia, the terms necessary for attracting lenders must be studied.

If the Conference fails, the Powers should agree on methods for preventing concession hunters from pillaging Russia and supplanting legitimate proprietors and concessionnaires.

<sup>6</sup> The reference is to article 2 of the temporary Russo-Italian Commercial Treaty, signed at Genoa on May 24, 1922 (see Slusser and Triska, op. cit., p. 400), which read: 'Bonds, interests, goods, movable and immovable property belonging to the citizens of the two countries and largely imported or acquired in the other country, cannot, after the entry into force of the present convention, be denationalised or confiscated. . . .' A Foreign Office Memorandum of June 21, written at Lord Balfour's request, stated: 'We now learn from Mr. Hodgson (N5924/57/38) that this new Treaty will not be ratified by the Soviet government. Almost identical provisions to the above are, however, contained in article X of the Russo-Italian Treaty of the 26th of December 1921, which is still in force, but is about to expire.'

### No. 153

*Mr. Gregory (The Hague) to the Earl of Balfour (Received June 15, 11 a.m.)*

*No. 1<sup>1</sup> Telegraphic: by bag [N5789/646/38]*

THE HAGUE, June [14],<sup>2</sup> 1922

Sir P. Lloyd-Greame and Mr. Hilton Young had two interviews with M. Cattier and other Belgian representatives to-day. M. Cattier was in general agreement with the British view that a cut and dried plan must not be prepared beforehand to present to the Russians, and that discussions with the Russians must be kept as practical and as little theoretical as possible. It was generally agreed that no countries who wished to be represented could be excluded from the non-Russian commission. M. Cattier will put this view to the meeting tomorrow. At the same time it was provisionally agreed that the commission should work through three sub-commissions on property, credits and loans, each with representatives of the inviting powers but containing no more than two or three representatives of other countries.

<sup>1</sup> In The Hague Conference Series.

<sup>2</sup> This telegram, and the following telegram (No. 154, below), are undated, but it would appear that they were drafted on June 14.



## No. 154

*Mr. Gregory (The Hague) to the Earl of Balfour (Received June 15, 11 a.m.)*  
*No. 2 Telegraphic: by bag [N5790/646/38]*

THE HAGUE, June [14],<sup>1</sup> 1922

My telegram No. 1.<sup>2</sup>

British representatives also had a long interview with M. Karnebeek in the afternoon. They had assumed that M. Karnebeek intended to preside at the preliminary meeting, as they understood this had been proposed and accepted. M. Karnebeek however said that he intended merely to welcome the conference and then withdraw, leaving the conference to appoint a chairman from among their number. British representatives expressed hope that M. Karnebeek would agree to take the chair during the preliminary conference. He agreed to consider it and communicate decision tomorrow. Failing M. Karnebeek M. Platijn (senior representative of the Netherlands) will probably be selected.

The work of the conference was fully discussed and M. Karnebeek concurred in the British view that the preliminary meeting should be confined to the appointment of the commission and the settlement of procedure. He favoured small sub-commissions but thought it would be difficult to exclude from the main commission any nations even if not directly interested who desired to attend. He appeared also in general agreement with British ideas as to practical methods of approaching the questions which will be before main commission.

<sup>1</sup> See No. 153, n. 2.

<sup>2</sup> No. 153.

## No. 155

*Mr. Gregory (The Hague) to the Earl of Balfour (Received June 16, 11 a.m.)*  
*No. 3 Telegraphic: by bag [N5833/646/38]*

THE HAGUE, June 15, 1922

The opening meeting of the representatives of the non-Russian powers<sup>1</sup> was held at the Peace Palace, The Hague, at 2.30 this afternoon. Every State invited was represented.

Monsieur van Karnebeek welcomed the delegates in his capacity as Minister for Foreign Affairs on behalf of the Netherlands government. His speech was sympathetic and hopeful, and emphasised the practical nature of the work before the meeting.

<sup>1</sup> The minutes of the meetings of the Non-Russian Commission, and of the Non-Russian Commission with the Russian Commission, were printed by the Netherlands' Department of Foreign Affairs in a Confidential Volume here cited *Hague Conference*; for the minutes of the opening meeting of the Non-Russian Commission, see *ibid.*, pp. 12-14.

Sir P. Lloyd-Greame in thanking Monsieur van Karnebeek and proposing him for the chair, made the British point of view quite clear—namely that this was not a conference of plenipotentiaries, but a business meeting of experts hammering out a practical solution of a business problem.

After Baron Avezanno [*sic*]<sup>2</sup> and Monsieur Benoist<sup>3</sup> had warmly endorsed Sir Philip's remarks, Monsieur van Karnebeek accepted the chairmanship, and proceeded to outline the organisation of the secretariat-general. After which he referred to the resolutions of Genoa<sup>4</sup> which governed this meeting and said that as he read them the meeting had now to occupy itself with the setting up of the non-Russian Commission and with defining the procedure which that commission should adopt. He suggested that the meeting should adjourn until tomorrow to reflect upon the best manner of constituting the Commission.

Monsieur Cattier having concurred, and no one else having raised any objection, the meeting adjourned till 11.0 a.m. June 16th.

The delegates were subsequently entertained to tea by the Netherlands government in the Peace Palace.

<sup>2</sup> Baron Camillo Romano Avezana, chief Italian Representative at The Hague Conference, had been Secretary-General of the Genoa Conference.

<sup>3</sup> M. Charles Benoist, French Ambassador at The Hague.

<sup>4</sup> See Nos. 109 and 142.

## No. 156

*Mr. Gregory (The Hague) to the Earl of Balfour (Received June 16, 11 a.m.)*

*No. 4 Telegraphic: by bag [N5834/646/38]*

THE HAGUE, June 15, 1922

My telegram No. 3.<sup>1</sup>

After the conference M. Karnebeek had a long conversation with the British, French, Belgian, Italian and Japanese representatives. The plan of action for the following day was discussed, and all were agreed that the most desirable procedure was to appoint a main commission and three sub-commissions to deal respectively with Debts, Credits and Property; that the membership of each sub-commission should not exceed 11; and that Great Britain, France, Italy, Belgium, Japan and Holland should be represented on each of the sub-commissions, the remaining five being apportioned among other countries. (The British representatives had had informal talks with a number of other delegations and found that there appeared to be general agreement as to proceeding on these lines.) It was agreed that M. Cattier should make this proposal at the morning sitting. M. Benoist not only agreed but made one or two suggestions and raised no points of difficulty.

M. Karnebeek then proposed that at the afternoon session there should be a short explanation given of the general lines on which the Commission would

<sup>1</sup> See No. 155.

work. He suggested that it should be explained that the Commission would not concern itself with political questions; that governments taking part would do so without prejudice to any reservation they might feel on questions of principle, as the Commission would be a Commission of experts empowered merely to make recommendations; and that in these circumstances the Commission should have a wide discretion as to the method in which it undertook its work. The Belgian, Italian, Japanese and French representatives supported this view as they regarded it necessary in order to comply with the provision in the minutes of the meeting of May 14th<sup>2</sup> as to an 'exchange of views to consider the line of action to be adopted by the Commission of experts towards the Russians'. At this stage M. Benoist had to leave the meeting to keep an engagement. The British representatives then explained that they had some doubt as to the desirability of such a discussion. If the discussion were limited to statements on the lines M. Karnebeek had suggested it would do no harm; but would it do any good? And might it not lead to an attempt by subsequent speakers to discuss questions of principle? If this were attempted they would feel bound to oppose strongly embarking on such a discussion.

M. Cattier, M. Karnebeek and Baron Avezzan[a] expressed the opinion that the discussion could be strictly limited, and pressed strongly the desirability of a limited discussion of this kind, as they felt that it would bring the French definitely into line with the general plan of procedure they all wished in common with the British to follow; and they suggested that the discussion could be given the desired character by the tone and substance of the initial speech. The British representatives felt that they could not reasonably oppose this proposal. They thought that if any discussion were to take place it would be most convenient that they should open it, and Commander Hilton Young will therefore open the discussion at the afternoon session.

M. Karnebeek then said that he thought the convenient course to follow would be that after the two meetings tomorrow the conference should adjourn until Monday, by which time any country which wished to communicate with its government would be in a position to say definitely whether it desired to be represented on the Commission.

The general atmosphere, both during the session of the conference and in all private conversations, is good and suggests that there will be no divergence of views.

<sup>2</sup> See No. 132.

*Mr. Gregory (The Hague) to the Earl of Balfour (Received June 17,  
11.30 a.m.)*

*No. 5 Telegraphic: by bag [N5861/646/38]*

THE HAGUE, June 16, 1922

The non-Russian representatives met again this morning at 11 a.m.<sup>1</sup> In accordance with the arrangements reported in my telegram No. 4<sup>2</sup> M. Cattier proposed:

1. That the Commission should be composed of the 6 inviting Powers, and any other State who desired to be represented thereon.
2. That there should be three sub-commissions, one for credits, one for property and one for debts.
3. That each sub-commission should be composed of representatives of 11 States.
4. That each State should be represented by one member only on each sub-commission.
5. That each Expert should be accompanied by one Secretary and one or more advisers as decided by the sub-commission itself.

In making his proposals he commented on the necessity of limiting the number of representatives in order to produce bodies capable of doing practical business, and this was made possible by the fact that there was no wide divergence of interests on the economic problems before the Commission. He suggested that the President of the conference should be empowered to arrange the composition of the sub-commissions after consultation and discussion with the various Powers interested. He also suggested that the function of the main commission would be primarily that of co-ordinating the work of the sub-commissions.

M. Cattier's proposal was supported by the Esthonian, British, Polish, Spanish, Lithuanian and Portuguese representatives.

The Esthonian delegate, supported by the Polish and Lithuanian, also suggested that each Baltic State should be represented on the main commission, and not only one as M. Cattier had tentatively suggested. M. Alphand, who assumed the position of chief speaker of the French delegation, (M. Benoist sitting behind with the Experts) apologised for his absence from the first meeting<sup>3</sup> and from the private conversations, and explained that the French government had not yet made up its mind whether to take part in the work of the Commission. It had, however, sent a Commission d'étude to study the ideas put forward at this conference, and the final decision of the French government would depend upon the result of this meeting. Speaking in his personal, individual and technical capacity, he thought M. Cattier's ideas were practical and suitable. Some discussion followed as to the relations between the main commission and the sub-commissions, and the

<sup>1</sup> See *Hague Conference*, pp. 15-19.

<sup>2</sup> See No. 156.

<sup>3</sup> See No. 155.

Swiss delegate thought that if the number of 11 States for each sub-commission was rigidly adhered to, certain States with vital interests in Russia might be excluded. He therefore proposed that while the sub-commissions should in principle be composed of 11 States, the President should have the power to increase the number to 13 if he thought desirable.

M. Cattier's proposal together with the Swiss amendment was unanimously adopted and the meeting adjourned till 4 o'clock.

M. Cattier and Sir P. Lloyd-Greame both emphasized the importance of bodies of a workable size; but a very strong desire was evident in nearly all States to be represented on the main commission.

### No. 158

*Mr. Gregory (The Hague) to the Earl of Balfour (Received June 17, 11 a.m.)*

*No. 6 Telegraphic: by bag [N5862/646/38]*

THE HAGUE, June 16, 1922

The meeting of the representatives of the non-Russian Powers<sup>1</sup> was resumed this afternoon at four o'clock.<sup>2</sup> Previous to the meeting M. van Karnebeek had been in attendance at the Peace Palace to hear the views of the various States as to who should be represented on the various sub-commissions.

Mr. Hilton Young opened the discussion this afternoon with a general review of the conditions in which the non-Russian commission would work. After emphasising the fact that the members of the commission would be experts only and not statesmen or politicians, he insisted that the primary function of the committee was to examine and verify facts, that it would not be entitled to, nor was it desirable that it should concern itself with political questions or principles. He commented on the necessity of a practical and dispassionate examination of the facts and practical or technical expedients which might be suggested. Since the commission would be ad referendum to its governments and with all political rights reserved it could afford to allow itself the widest latitude in which to examine the problems with which it was confronted.

M. Cattier strongly supported Mr. Hilton Young, and no other delegate offered any remarks. Some slight discussion followed the proposal to adjourn. The Estonian and Hungarian representatives (who were sitting either side of the French delegation) raised certain points of procedure, but the meeting eventually adjourned until 3 p.m. on Monday<sup>3</sup> afternoon in order to give time for those delegations who desired to do so to consult their governments.

<sup>1</sup> See No. 157.

<sup>2</sup> See *Hague Conference*, pp. 20-3.

<sup>3</sup> June 19 (see No. 160, below).

## No. 159

*Mr. Gregory (The Hague) to the Earl of Balfour (Received June 17,  
11.30 a.m.)*

*No. 7 Telegraphic: by bag [N5863/646/38]*

THE HAGUE, *June 16, 1922*

My telegram No. 6.<sup>1</sup>

After the meeting Monsieur van Karnebeek informed the British representatives that nearly every State had asked to be represented on the Main Commission.

It is quite obvious that the French example of hanging back has been entirely without influence on the other delegations. And although the slight obstruction referred to in the last paragraph of my above mentioned telegram was clearly inspired by the French, it was not [*sic*] without effect on the general unanimity of the proceedings.

<sup>1</sup> No. 158.

## No. 160

*Mr. Gregory (The Hague) to the Earl of Balfour (Received June 20,  
11.30 a.m.)*

*No. 8 Telegraphic: by bag [N5980/646/38]*

THE HAGUE, *June 19, 1922*

The representatives of the non-Russian powers met at 3 p.m. to-day.<sup>1</sup> M. Benoist announced that he had informed the President of the meeting that France would be represented at the meeting of June 26th. In doing so, the French government wished to recall the facts that this was only a commission of experts ad referendum, and that all political questions were to be eliminated from the discussions. The French government also reserved its liberty to withdraw its delegates at any moment, especially if the attitude of the Soviet representatives were unsatisfactory. M. Alphand then said that the French experts approved of the proposals for procedure which had been made at the previous meeting.<sup>2</sup> The President then announced the names of the states represented on the Non-Russian commission,<sup>3</sup> and on the three sub-commissions.

Some discussion followed on points of procedure for the Non-Russian commission, but it was decided that this commission should meet on Wednesday next<sup>4</sup> and decide these questions for itself.

<sup>1</sup> See *Hague Conference*, pp. 24-8.

<sup>2</sup> See No. 157.

<sup>3</sup> In his telegram No. 9 of June 19 (N5981/646/38), Mr. Gregory gave the following list of countries represented on the Non-Russian Commission: Austria, Belgium, British Empire, Bulgaria, Czechoslovakia, Denmark, Esthonia, France, Finland, Greece, Holland, Hungary, Italy, Japan, Latvia, Lithuania, Luxemburg, Norway, Poland, Portugal, Roumania, Serb-Croat-Slovene [State], Spain, Sweden, Switzerland.

<sup>4</sup> June 21.

On the motion of Sir Philip Lloyd-Greame, M. van Karnebeek was elected *président d'honneur* of the Non-Russian commission, as his duties and position prevented him undertaking the duties of the actual president of the commission.

**No. 161**

*Mr. Gregory (The Hague) to the Earl of Balfour (Received June 21)*  
*No. 9 [N5994/646/38]*

THE HAGUE, June 19, 1922

The Secretary of the British Empire delegation at The Hague Commission presents his compliments to His Majesty's Principal Secretary of State for Foreign Affairs, and has the honour to transmit herewith copy of notes on work to be done by the Committees on Debts, Property and Credits.

ENCLOSURE IN NO. 161

*Notes on Work to be Done by the Committees.*

It is assumed that three committees will be set up to deal with—

1. Debts.
2. Property.
3. Credits.

The preliminary question arises as to the allocation of responsibility between the Debts Committee and the Property Committee in respect of claims regarding debts owed to British or other foreign subjects by businesses which, owing to the action of the Soviet Government, are not now in a position to meet their liabilities. It would appear to be convenient to limit the scope of the Debts Committee to questions concerning inter-governmental debts, governmental issues and other similar governmental and municipal liabilities, including railway and other loans, for public utility purposes. In this case all claims of an industrial or commercial nature, as well as claims for compensation in respect of damage to property, would be dealt with by the Property Committee.

*Suggested Points for Discussion on the Debts Committee.*

1. The nature of the debts to be considered. The classification suggested is as follows:—

- (a) Bonds of Russian Governments.
- (b) Bonds issued by railways and public undertakings guaranteed by the Russian Government.
- (c) Bonds issued by municipalities and public utility undertakings not so guaranteed.
- (d) Russian Treasury bills.
- (e) Other public debts represented by 'securities'.

2. Recognition of municipal obligations. Extent to which municipalities are in a position to give effect to recognition of their predecessors' obligations. Extent to which Russian Government guarantee is desirable.

3. Amount involved.

4. Present state and position of assigned security, if any, and method to be adopted in dealing with them.

5. Resumption of service, when to commence, rate of interest, allowance, if any, for arrears, having regard to immediate and prospective capacity of Russia to pay.

6. Method of establishing ownership, date of acquisition. Questions will arise as to exclusion of claims in respect of rouble obligations acquired by foreigners from Russians after the date of repudiation by revolutionary Government.

7. Inter-governmental liabilities.

8. Machinery, if necessary, for arriving at a settlement after ascertainment of facts.

*Suggested Points for Discussion on the Property Committee.*

1. The first proposal to be made to the Russian Commission should be to deal with property claims in classes or groups, and the first task will be to classify all such claims in a number of agreed groups. Each group should cover a particular industry or branch of an industry or a particular class of claims which can conveniently be considered separately.

The classification suggested is as follows:—

(a.) Industrial groups.

- (i) Mining and metallurgical (including steel and smelting works).
- (ii) Engineering (agricultural machinery and general).
- (iii) Timber, sawmills, paper and pulp mills.
- (iv) Textile.
- (v) Mineral oil (including refineries).
- (vi) Oil mills (non-mineral), soap, paint, chemicals, &c.
- (vii) Sugar.
- (viii) Breweries.
- (ix) Tobacco factories.
- (x) Cement, bricks, pottery and glass.
- (xi) Cold storage and preserving plants.
- (xii) Public utility undertakings.
- (xiii) Distributing trading establishments.
- (xiv) Other industrial undertakings.

(b) Miscellaneous groups.

- (xv) Trade and other private debts (including claims for goods supplied to governmental and other public authorities).
- (xvi) Bank balances and deposits.
- (xvii) Salaries, commissions, wages and pensions.



- (xviii) Shares in companies and other undertakings (other than controlling interests).

(Investigation will be required in some cases in order to ascertain which companies come within this group and which, on the other hand, are in a material degree controlled by foreigners.)

- (xix) Other miscellaneous claims (e.g., personal property, insurance claims, &c.).

2. Agreement will then be necessary as to the order in which classes of claims are to be considered by the committee.

It is probably desirable to deal first with the simpler cases in which the title is clear, and the minimum of difficulty is apprehended in respect of restitution, e.g., a mining enterprise, rather than of claims in respect of shares or debts.

It is understood that claims will not be considered by the committee in respect of property acquired from Russian subjects or companies not controlled by foreigners after the date of effective nationalisation.

3. In some groups it might be found convenient to start with the examination of particular cases which are typical, and to deal with alleged exceptions in detail afterwards.

The committee would probably find it desirable and feasible to refer certain points for report to sub-committees containing as members persons who were not members of the Property Committee.

4. In regard to claims for the restitution of factories, mines, oil wells, &c., the committee should ascertain under what general conditions—

- (a) The Russian Government is prepared to return the property to its original owners; and
- (b) The previous owners are prepared to proceed again to work their enterprises.

The committee should investigate what satisfactory arrangements can be made by the Soviet Government, whether by decree or otherwise, regarding immunity from arbitrary interference with the restored property and the personnel necessary to work it, as well as the arrangements which, in respect of such properties, the Russian Government is prepared to make concerning labour conditions, import and export, central and local taxation, transport, supply of food, raw materials, fuel, power (so far as these are under the direct control of the Soviet Government or are governed by regulations made by it), housing arrangements for workers where necessary, trade facilities, &c.

The Russian representatives should be asked to explain in detail the reasons why property in a particular class or particular properties in a class cannot be restored if such a contention is put forward by them.

5. The question would arise at this stage as to whether it was desirable to send to Russia a mixed commission, composed of representatives of property owners or experts and of Russians, to examine detailed questions on the spot, not capable of immediate settlement in the committee. It is contemplated that such a commission would include representatives concerned with each

class of claims affected. On arrival in Russia they would proceed to investigate locally the circumstances of particular properties of the class with which they are concerned, and, in particular, they would examine any obstacles which it was contended prevent the return of the property in its original form.

6. The Property Committee of The Hague Commission would also consider, in cases where restitution is impossible or is not acceptable to the claimant, or where there are claims for damage or deterioration of a restored property, the method and the form of compensation. It would especially examine the possibility in respect of each class of claims of compensation in kind; for example, by the concession of similar property elsewhere.

7. Claims arising out of property rights, such as are included in the miscellaneous groups (b), in paragraph 1 above, would be considered by the Property Committee after some progress has been made with the major question of restitution, or would be referred to a separate sub-committee of the Property Committee.

8. Consideration might be given to the provision of immediate relief in cash to claimants who, having been forced to leave Russia on account of the revolution, are now practically without means of maintenance. Any special relief granted in such cases would, of course, reduce correspondingly the applicant's general claim. A maximum sum available per annum might be placed by the Russian Government at the disposal of a tribunal, Russian or mixed, appointed especially for this purpose.

*Suggested Points for Discussion by the Credits Committee.*

Desirous as countries are to come to the help of Russia, it is useless to expect that credits, whether assisted by Governments or not, can be forthcoming to any sufficient extent unless the requisite confidence in eventual repayment can be inspired in the lenders. This confidence can only result from satisfaction as to the manner in which claims in respect of the debts of the Russian Government's predecessors are recognised and dealt with and the position of the holders of property in Russia is settled. The Credits Committee, therefore, must start with the assumption that a satisfactory solution will be found to the questions which fall to be considered by the other two committees.

The Russian Government have complained more than once that their schemes for the provision and application of credits, with which they came fully prepared to Genoa, were never discussed. It is suggested that the committee might commence by asking for these schemes, and examining them for the purpose of arriving at an idea of the needs of Russia, and how such credits as can be made available can best be utilised.

The credits will be of two kinds: credits for capital reconstruction and credits for the import into Russia of commodities for consumption.

As regards reconstruction credits, not only foreign credits will be necessary for the import of the reconstruction material, but internal credits for the purchase in Russia of the material available there and for the payment of

labour. Enquiry will be necessary as to the extent to which the Russian Government will be prepared to provide credits for internal purposes.

Credits for reconstruction would be in the nature of loans for capital expenditure, and they would be sought (a) either by the owners of pre-war undertakings in Russia for the rehabilitation of the individual undertaking concerned, or (b) by new groups for new enterprises which may be concerned merely with an individual undertaking or group of undertakings of the same character, or (c) by a combine which could undertake reconstruction of a whole area and of all the industries contained in it. For instance, the International Corporation might concern itself with not only the reconstruction of the port and railway in a particular district, but the factories and agricultural production which were served by the railway and the port.

As regards capital loans, enquiry would be necessary as to the terms on which undertakings would be allowed to operate and as to the method of securing repayment by collateral security or otherwise for the purpose of assuring inducements to investors.

With regard to commodity credits, enquiry would be necessary as to the possibility of direct credits to the consumer such as is sought, it is understood, by the manufacturers of agricultural machinery, or the necessity for dealing through a trust or co-operative society, as the case may be, or the Government. In the former case the conditions under which the individual consumer will be allowed to pledge the proceeds of his industry, on which the exporter will rely for repayment, will have to be examined, and in the latter the arrangements for repayment by the trust or Government and the security offered.

The committee might consider whether the sale of large concessions not previously alienated could be arranged, it being a condition that the purchase price or proceeds shall be earmarked for credits for reconstruction purposes.

The following heads of discussion are suggested:—

1. Needs of Russia:—

(A) Capital loans for reconstruction of (a) individual undertakings; (b) over areas.

(B) Commodity credits:—

(a) To individual consumers; conditions to enable individual consumers to repay.

(b) To trust or Russian Government: security to be given for repayment by the trust or the Government.

2. Character and extent of credit which other countries are prepared to afford.

3. Order of priority and form of available credits.

4. Concessions; proceeds earmarked for reconstruction purposes.

I.C.P. 249C (extract).] *British Secretary's Notes of a Meeting held at 10, Downing Street, London, on Monday, June 19, 1922, at 2.45 p.m.*

*Draft.*

**PRESENT:** *Great Britain:* The Prime Minister, Lord Balfour, Sir Robert Horne (for part of Item 1<sup>1</sup>); **EXPERTS:** Sir Basil Blackett (for part of Item 1), Mr. Vansittart (from Item 2 onwards).

*France:* M. Poincaré, M. S[ain]t Aulaire.

**SECRETARY:** Sir Maurice Hankey.

**INTERPRETER:** M. Camerlynck.

MR. LLOYD GEORGE said he had had the advantage of a few minutes' conversation at lunch with M. Poincaré on the subject of Russia. As he understood the matter, there was no practical difference of opinion between them. M. Poincaré was perhaps less sanguine than he was, though he was not sure of this. He himself had not much confidence in the present Russian Government. They agreed, however, that their representatives at The Hague were not there to discuss principles, but to find out if they could reach some practical conclusion on three questions, namely, (1) property; (2) debts both national and private; (3) credits. Their representatives were not at The Hague as political experts but as financial and trade experts to report to their respective Governments. If they failed, he thought that M. Poincaré had agreed upstairs with him that it was important to make clear to the industrial population of the world, that the fault lay with the Russian Soviet Government. He was afraid that this was only too likely to happen at The Hague. In this eventuality, he was anxious that it should be clear that this was due to the impracticable attitude of the savage visionaries who controlled Russia. On this there was no difference between the British and French Governments. He wanted to prolong The Hague discussions up to the point of making clear to the world that there was no use in continuing to discuss with these visionaries who did not know what business meant.

M. POINCARÉ said that it was exactly in the same spirit that the French Government had given its instructions to the French experts. Perhaps he was less sanguine than Mr. Lloyd George, but the French experts would stand by the British ideas in regard to debts, property and other questions. If the Conference failed it should not be due to any fault of theirs, but the fault would be with the representatives of the Soviet Government. What had happened in the case of the Russo-Italian agreement was perhaps significant.<sup>2</sup> He did not think the Soviet representatives would do any better at The Hague than they had done at Genoa. It should be made quite clear in France and other countries that it was not the Bourgeois Governments which had

<sup>1</sup> The British Secretary's Notes referring to this item (Reparation) will be published in Vol. XX.

<sup>2</sup> The temporary Russo-Italian Commercial Treaty signed at Genoa on May 24, 1922 (see No. 152, n. 6) had been rejected by the Council of People's Commissars on June 8.

caused the conversations to fail, but the fault of those who made the claim to represent the working classes, though they did not really represent them.

MR. LLOYD GEORGE said he thought this was a very important statement by M. Poincaré, that the French Government also saw that if the Conference at The Hague failed the fault must not be that of the Bourgeois Governments but of the Soviet Government. It was specially important in Great Britain where three-quarters or four-fifths of the population was industrial. It was more especially important from the point of view of the feeling between France and Great Britain, that no-one should be able to say that a failure at The Hague was due to the action of France. If there was a failure it must be due to the attitude of the impossible people who controlled Russia. If an agreement could be reached, so much the better, but he was not very optimistic. What was very important, however, was to show that any great doubt was not due to the Western Governments but to the impossible attitude of these Communists.

M. POINCARÉ said that if he was not of the same view as Mr. Lloyd George he would not have sent delegates to The Hague, and perhaps not to Genoa. France was largely an agricultural country, and if he only listened to his own countrymen he would probably never have entered into these conversations with the Soviets because France on the whole was opposed to it. He had had to ask Parliament for an appropriation for the use of the experts at The Hague, and he did not know if it would be passed. He had, however, taken his own responsibilities and sent experts. This was a mark of friendship towards the British Government. He would continue on this course unless he found that French interests were being sacrificed. He was convinced that if there were any failure it would be the fault of the Soviet representatives, and it should be made perfectly clear that failure could not be laid at the door either of the French or British Government.

MR. LLOYD GEORGE thanked M. Poincaré for that statement. He then said that Lord Balfour had certain points he wished to raise in regard to the Near East and Tangiers.<sup>3</sup>

(Sir Basil Blackett withdrew at this point.)

<sup>3</sup> There followed a discussion on the Near East and Tangiers (see Vol. XVII, No. 659).

### No. 163

*Mr. Gregory (The Hague) to the Earl of Balfour (Received June 21,  
11.30 a.m.)*

*No. 10 Telegraphic: by bag [N6018/646/38]*

THE HAGUE, June 20, 1922

At a further informal conference of the six powers this afternoon (Tuesday, 20th), the arrangements were considered for the first meeting tomorrow (21st) of the full commission. It was agreed to invite M. Platijn of the Dutch

delegation to become chairman of the commission, M. Cattier, as vice-chairman, and that Messrs. Alphand, Avezzan[a] and Sir P. Lloyd-Greame should be nominated as chairmen of the sub-committees of debts, credits and properties respectively. It was further arranged that it should be proposed that the chairman, vice-chairman and chairmen of sub-committees should form a bureau for managing the practical business of the commission. It had originally been proposed that this bureau, [five] in number, should form the channel of communications with the Russians for the arrangement of subsequent meetings between the Russian and the Non-Russian Commissions. Some jealousy of this proposal having been shown by the smaller powers, lest the bureau should absorb the functions of a negotiating committee, it was finally agreed to substitute the proposal<sup>1</sup> that the first communication with the Russians should be made by the chairman of the commission. It was agreed that the chairman should inform the Russian Commission of the nature of the organisation and arrangements established by the Non-Russian Commission, and invite the Russian commission to make their own arrangements for meeting the three sub-commissions without any previous meeting between the two full commissions.

<sup>1</sup> As reported by Mr. Gregory in his telegram No. 12 of June 21 (N6198/646/38), this proposal was adopted by the Non-Russian Commission at its formal first meeting at 11 a.m. on June 21.

## No. 164

*Mr. Gregory (The Hague) to the Earl of Balfour (Received June 23, 11.30 a.m.)*

*No. 13 Telegraphic: by bag [N6085/646/38]*

THE HAGUE, June 22, 1922

The three sub-commissions of the Non-Russian Commission held their first meetings to-day. Complete unanimity prevailed.

On the first (property) sub-commission<sup>1</sup> Sir Philip Lloyd-Greame outlined a classification of claims<sup>2</sup> and suggested approaching the Russians along the line of least resistance. He suggested taking various industries and examining the practical conditions, if any, upon which the Russians were willing to restore them to their previous owners, deferring exceptional cases and controversial questions to a later stage.

The second (debts) sub-commission<sup>3</sup> discussed the exact delimitation of the first and second sub-commissions in the question of commercial debts. It was agreed to refer this point to the standing orders committee. The question of the best method of approach with the Russians was discussed and it was agreed that they should be asked to provide any relevant information.

On the third (credits) sub-commission<sup>4</sup> it was decided to ask the Russians

<sup>1</sup> See *Hague Conference*, pp. 48-55.

<sup>2</sup> See *Hague Conference*, pp. 158-93.

<sup>3</sup> Cf. No. 161.

<sup>4</sup> *Ibid.*, pp. 348-50.

to put forward their ideas as to how and to what extent European credit should be applied to Russian reconstruction, but not to raise at this point any question of the precise form which such credits should take.

On all three sub-commissions certain details of procedure were discussed, and it was agreed that only the briefest anodyne communiqués should be issued to the press and that in particular nothing should be said outside which might disclose the details of the discussions. It was felt that if the Russians were to get the impression that we were going to present them with a definite and detailed order of procedure they would be bound to refuse to agree to any suggestion made out of amour propre.

### No. 165

*Mr. Gregory (The Hague) to the Earl of Balfour (Received June 23, 7.10 p.m.)*

*No. 14 Telegraphic [N6095/646/38]*

THE HAGUE, June 23, 1922, 6.42 p.m.

We have been placed in somewhat embarrassing position here owing to lack of information as to situation at Moscow since it is generally supposed that our mission there must necessarily be keeping us regularly informed. All manner of rumours are current respecting Lenin's health, the new triumvirate<sup>1</sup> and intentions of Soviet government in regard to this conference, but on all these highly important subjects we appear to have been left entirely in the dark by Mr. Hodgson. We should be grateful if immediate instructions could be sent to him to report on these matters and to keep us regularly informed on general situation.<sup>2</sup>

<sup>1</sup> The appointment of a triumvirate of MM. Stalin, Kamenev and Rykov, to succeed M. Lenin, had been reported in *The Times*, June 16, p. 9; see also *The Times*, June 15, p. 10.

<sup>2</sup> In his telegram No. 39 of June 24 (N6095/646/38), Lord Balfour replied as follows: 'I am instructing Mr. Hodgson to keep us fully informed and am arranging for the immediate communication to you of advance copies of despatches. I do not, however, feel that Mr. Hodgson without specific instructions from your delegation could usefully have reported at greater length on the present obscure situation.'

In a private letter of June 26 to Mr. Gregory (N6216/646/38), Commander Maxse wrote: 'I am sending you herewith a copy of a letter I have written to Bland [Mr. George Bland, Private Secretary to Sir E. Crowe] on Philip's [Sir Philip Lloyd-Greame] instructions. The Foreign Office reply to your telegram made him perfectly furious, and I only just stopped him writing straight to the Prime Minister. I cannot myself make out whether the Foreign Office reply was dictated out of loyalty to Hodgson, or whether Hodgson really has been sending everything we want to the Foreign Office, who have been sitting on it. Any way the position here, you know as well as I do, is quite intolerable if we are left in the dark as to what is happening in Moscow.'

'I hated writing that letter to Bland, but I had no option in the matter as if I had not done so, Philip would have written to the Prime Minister, and I think that would have been worse. As you will see he has mentioned it to Hankey, but I think only in a chatty post-script, and I hope Hankey will not take it too seriously.'

To this letter Mr. Ovey, with Sir E. Crowe's approval, replied on June 30 as follows:

'Bland is away from the office for a few days so I am dealing with your letter of June 26th which Crowe has seen. It has caused us all considerable surprise, both as to its substance and as to its tone. We should have thought a colleague would have shown a little more appreciation of our position in the matters which form the subject of your acid strictures.

'If Lloyd-Greame has serious and well considered objections to urge, they will of course, as always, receive the consideration due to anything he puts forward. But to adopt instead the course of merely calling us idiots is neither courteous nor helpful. . . . Before the Genoa Conference assembled it was announced that it would deal with commercial and economic but not with political matters. This announcement was of course falsified by events. The same statement was again made about the Hague Commission, but in this case it has been drummed into us with great emphasis that our Government's intention was strictly to maintain the purely technical and non-political character of the discussions. I have mentioned in a private letter the arrangements I have made to let you have at the earliest possible date information about Russia which is material to the technical questions with which you are concerned and I need not go further into that now. It stands to reason of course, that your mission should be told at once of any important developments in the political situation in Russia or in the political relations of this country or other European countries with Russia, but surely it is for us and not for you to judge what information does and what does not come within this category, and if you, as a member of this Department, feel you are not getting enough you know us all well enough to realize that a private line from you would immediately put matters right. In the case in point you would be mistaken in supposing that there have been any reports on political developments in Russia with which you need to be concerned and which have not been sent to you.

'In these circumstances the British Delegation are not in the best position for judging Hodgson's competence and they have in fact gravely and unjustly misjudged it. The Foreign Office are entirely satisfied with Hodgson's work. He has far too much experience to report his observations upon every silly rumour that may appear in the press about the Soviet Government. The conduct of business in this office would become impossible if all heads of missions were to take this line. His opportunities for obtaining information locally are, as you know, limited; but we have never found him slow to report anything of importance. If information upon specific points is required, it is easy to telegraph for it, but our expenditure upon telegrams is as you know subject to severe criticism from the Treasury and it would be a waste of money for Hodgson to send telegrams upon all kinds of minor questions. If the information which reaches us by despatch is sometimes rather belated, it is similarly because the Treasury insists upon the utmost economy in the use of messengers.'

## No. 166

*Mr. Gregory (The Hague) to the Earl of Balfour (Received June 24)*<sup>1</sup>

*No. 15 Telegraphic: by bag [N6100/646/38]*

THE HAGUE, June 23, 1922

The Sub-Commission [on] Property<sup>2</sup> continued its sitting<sup>3</sup> to-day and approved the revised classification of claims.<sup>4</sup>

It will meet again on Tuesday next<sup>5</sup> to compare statistics regarding the value of each country's claims.

<sup>1</sup> The time of receipt of this telegram is not recorded.

<sup>2</sup> i.e. the First Sub-Commission.

<sup>4</sup> See *Hague Conference*, pp. 56-60.

<sup>3</sup> See No. 164.

<sup>5</sup> i.e. June 27; see No. 170, below.



## No. 167

*Mr. Gregory (The Hague) to the Earl of Balfour (Received June 26)*<sup>1</sup>

*No. 16 Telegraphic: by bag [N6122/646/38]*

THE HAGUE, [June]<sup>2</sup> 24, 1922

The third (credits) Sub-Commission met this morning<sup>3</sup> and having rejected a proposal made by the Polish Delegate that the Russians should first be invited to define the conditions of private trade, agreed provisionally on the motion of the President to a plan of procedure embodying the French and British proposals, between which there was no substantial difference.

<sup>1</sup> The time of receipt of this telegram is not recorded.

<sup>2</sup> In the file, this telegram is erroneously dated July 24.

<sup>3</sup> See *Hague Conference*, pp. 351-8.

## No. 168

*British Delegation (The Hague) to the Earl of Balfour (Received June 27)*<sup>1</sup>

*No. 18 Telegraphic: by bag [N6199/646/38]*

THE HAGUE, June 26, 1922

Non-Russian Sub-Commission<sup>2</sup> on Debts held its second meeting<sup>3</sup> this afternoon and agreed upon a provisional programme for negotiations with the Russian Sub-Commission.

It was agreed that at the first meeting with the Russians, discussions should be confined to defining the categories of debts to be dealt with, and obtaining any statistical information which the Russians might be in a position to give.

On the motion of Commander Hilton Young, it was agreed that as much latitude as possible should be allowed to the Russians to develop their own point of view and plans.

Unless anything unforeseen arises, the Second Sub-Commission will not meet again until it meets the Russian Sub-Commission.

<sup>1</sup> The time of receipt of this telegram is not recorded.

<sup>2</sup> i.e. the Second Sub-Commission.

<sup>3</sup> See *Hague Conference*, pp. 194-206.

## No. 169

*British Delegation (The Hague) to the Earl of Balfour (Received June 27)*<sup>1</sup>

*No. 19 Telegraphic: by bag [N6200/646/38]*

THE HAGUE, [June] 26,<sup>2</sup> 1922

The Russian Delegation arrived here today, without Messrs. Krassin and Rakowsky.

<sup>1</sup> The time of receipt of this telegram is not recorded.

<sup>2</sup> The filed copy of this telegram is erroneously dated July 26.

The President of the Non-Russian Commission met M. Litvinoff, who was accompanied by the other two Delegates,<sup>3</sup> this afternoon. M. Plat[ij]n explained the manner in which the Non-Russian Commission had subdivided itself, and suggested that the Russian Commission should do likewise. M. Litvinoff pointed out that there were only three Delegates here at present, and that it was difficult for them to sub-divide themselves into three Sub-Commissions. After some discussion it was agreed that all three Russian Delegates could attend any of the Sub-Commission meetings, and the Russians further agreed that, provided not more than two Sub-Commissions sat at the same time, they would be able to make arrangements to attend them both.

The Russian Delegates were at first inclined to press for a Plenary Session of both Commissions, but in the end were persuaded to agree only to Sub-Commissions meeting at first, provided that the Credits Sub-Commission met first.<sup>4</sup>

The Non-Russian Credits Sub-Commission will meet at noon tomorrow, and will meet the Russian Delegates at 4 p.m.<sup>5</sup>

<sup>3</sup> M. N. N. Krestniski, People's Commissar for Finance and Soviet Ambassador to Germany, and M. Sokolnikoff, Assistant Commissar for Finance.

<sup>4</sup> In telegram No. 20 of June 26 (N6201/646/38), the British delegation reported as follows: 'M. Litvinoff has made a long statement which should appear in tomorrow's London papers. The gist of it is that unless Credits for the Russian Government are settled first, it is no use discussing Property and Debts.' In his despatch No. 322 of June 27 (N6254/646/38), however, Sir C. Marling reported the opinion of M. van Karnebeek (who had been visited by the Soviet delegation that morning) as follows: '... the Russians would not prove in the event to be nearly so intractable as Monsieur Litvinoff's statement to the Press seemed to foreshadow. That statement was in substance uncompromising enough, but in form it was reassuringly moderate, and ... it was really a piece of bluff imposed on the Delegation by Moscow. The Delegates would soon see their bluff called and would report accordingly, which would ... eventually result in fresh instructions being sent of a more accommodating kind, as Russia could not afford to come empty-handed from the Conference. ... the Russians had shown some cleverness in their tactics. They started with a declaration to the public that they would insist on discussing credits first, and by leaving two of their number behind—and for the delegation to arrive incomplete was in itself a sort of impertinence to the other Powers—they had a good pretext for declaring themselves unprepared to deal with the other two subjects until Messieurs Rakowski and Krassin arrived.'

<sup>5</sup> In his despatch No. 322, op. cit., Sir C. Marling reported: 'He [M. van Karnebeek] regretted that the non-Russian delegates had given way by agreeing to a meeting of the Credits Commission with the Russians. It was possible that the meeting had been decided on for the express purpose of allowing non-Russians to inform the Russians that they could not agree to take Credits first, but it seemed to him that this intimation could have been equally well conveyed by the President. As it was the Russians would be in a position to boast that they had imposed their will on the Commission. This was a bad start and in discussions and negotiations of this kind it was most important to begin well. He feared it would be hard to repair the initial error.' Sir Philip Lloyd-Greame commented (Hague telegram No. 33, June 30, N6340/646/38): 'I do not at all agree with this view which is opposed to that of the principal Delegations. We were all agreed that the three Sub-Commissions must work concurrently and that it would be an error in tactics to press for any particular sub-commission to be selected for the first session, but on the contrary while explaining to the Russians that the work must proceed concurrently we should offer them the choice of selecting the Sub-Commission to meet first. I think events have shown that

M. Plat[ij]n described the interview as 'almost cordial' and before breaking up the two Presidents agreed on a joint communiqué to the press.<sup>6</sup>

this was a wise course. We have got all the Sub-Commissions working, and Monsieur van Karnebeek, in discussing the matter with me yesterday, withdrew the opinion he expressed to Sir Charles Marling and said that had he thought arrangements could be made in the way in which they have been made he should not have expressed it.' For the first meeting of the Non-Russian Credits Sub-Commission with the Russian Commission on June 7, see *Hague Conference*, pp. 361-5.

<sup>6</sup> For the press communiqué, see *The Times*, June 27, 1922, p. 7.

## No. 170

*British Delegation (The Hague) to the Earl of Balfour (Received June 28)*<sup>1</sup>  
*No. 21 Telegraphic: by bag [N6234/646/38]*

THE HAGUE, June 27, 1922

The Non-Russian Property Sub-Commission<sup>2</sup> held its third meeting<sup>3</sup> this morning, and discussion on the classification of claims was continued. With two slight amendments the classification finally approved was that agreed upon in principle at the previous meeting.<sup>4</sup>

There followed an exchange of information about the condition of affairs in Russia, and a discussion of M. Litvinoff's discourse to the press.<sup>5</sup> M. Cattier promised to circulate to the Sub-commission copies of a decree to which M. Litvinoff referred whereby the right to hold industrial private property including factories and machinery is granted subsequent to the date of the decree (May 1922). (The existence of this decree was not previously known to the other experts.)<sup>6</sup>

Sir Philip Lloyd-Greame then outlined the proposed procedure of the meeting of this sub-commission with the Russians. It was necessary to insist upon the fact that if the old owners did not return to Russia no other responsible parties would take up concessions. He suggested that each Sub-commission should proceed with its labours on the assumption that a solution of the other two Sub-commission[s'] problems had been arrived at; but that the final recommendation of the Non-Russian Commission would depend upon the results of all three sub-commissions.

Considerable discussion took place on Sir Philip Lloyd-Greame's proposal that he should be authorised to hand the classification (without the footnote to c (4)) to the Russians. This proposal was strongly opposed by M. de la

<sup>1</sup> The time of receipt of this telegram is not recorded.

<sup>2</sup> i.e. the First Sub-Commission.

<sup>4</sup> See No. 166.

<sup>3</sup> See *Hague Conference*, pp. 61-5.

<sup>5</sup> See No. 169, n. 4.

<sup>6</sup> A Foreign Office Memorandum of July 4, 1922 (N6234/646/38) stated: 'This decree, which was only published in Moscow on June 18th, was forwarded in a despatch from the British Official Agent of June 19th. It was entered in the archives of this department on June 26th and forwarded to the British Delegation to the conference on June 28th.'

Pradelle.<sup>7</sup> As however there was complete agreement as to the practical procedure to be followed (which was that previously agreed upon) the proposal was dropped, but it was agreed that if the Russians asked for it, it could be communicated to them.

<sup>7</sup> Legal adviser to the French Ministry of Foreign Affairs.

## No. 171

*British Delegation (The Hague) to the Earl of Balfour (Received June 29)*<sup>1</sup>  
*No. 26 Telegraphic: by bag [N6250/646/38]*

THE HAGUE, June 28, 1922

The Non-Russian Sub-Committee on Debts met the Russian Commission this afternoon.<sup>2</sup>

M. Alphand presided, and opened the proceedings by referring to the non-political and expert nature of the Conference. Russia had appealed to the West for help, and this was only possible if debts were recognised and security given for foreign rights and interests in Russia, and if confidence were restored. Referring to French interests which were largely at stake on this sub-Commission, he said they were not those of capitalists, but of workers and peasants who had lent their savings to the Russian Government.

M. Litvinoff made a conciliatory reply, offering the whole-hearted collaboration of the Russian Delegation. He was anxious to arrive at as rapid a solution as possible, and did not intend to introduce any subjects which were irrelevant to the Agenda of the Conference. For himself, he thought that the reason no solution had yet been reached on debts was largely political, but nevertheless the Genoa Conference<sup>3</sup> had produced some results, and to shorten the proceedings he thought that discussions should start where Genoa left off. M. Alphand then proposed to define the competence of the 2nd Sub-Commission as the examination of all questions relevant to

1. Russian Government loans.
2. Provincial, railway and public utility loans guaranteed by the Russian Government.
3. Similar loans not guaranteed by the Russian Government.
4. Russian Treasury Bills.
5. Other Russian public debts not represented by securities.

M. Litvinoff agreed.

M. Alphand then went on to ask the Russian Delegation to provide the Non-Russian Commission with some general statistical information about their budget. M. Litvinoff pointed out that the Russian budget hardly came within the category of the five classes of debts which the Chairman had just

<sup>1</sup> The time of receipt of this telegram is not recorded.

<sup>2</sup> See *Hague Conference*, pp. 207-15.

<sup>3</sup> See Chapter III.

proposed, and wished to know why this question was being raised, although he was perfectly willing and indeed glad of the opportunity to give correct information about the economic situation in Russia.

Considerable discussion followed. It was explained to M. Litvinoff that, unless the Non-Russian Commission had this information, they could not tell whether a moratorium or other facilities for payment were necessary, and that this information would also be useful for convincing the bondholders to agree to granting Russia a moratorium. This promoted some discussion as to whether or not undertakings<sup>4</sup> given at Genoa were still binding. M. Litvinoff understood the French Delegate to maintain that the agreements reached at Genoa and undertakings given were not binding on the present Conference, and if that were so it would be necessary to begin discussions all over again. He thought on theoretical and logical grounds the Russian Delegation understood that a moratorium had been conceded in principle, and from a practical point of view it was clear, he thought, that nobody could expect that Russia was in a position to meet her obligations to-day.

Commander Hilton Young explained that this was merely a meeting of experts who could not, even if they wished, alter the engagements which their Governments had entered into at Genoa. Speaking for himself, he personally intended to adhere to every undertaking which the British Government had given at Genoa, and he felt the other experts were in the same position. His interpretation was endorsed by M. Alphand, who pointed out that it was easy for him to agree, because the French Government had given no undertakings in Genoa, but nevertheless he did not wish to be misunderstood, and he had no idea of making *tabula rasa* of the work at Genoa. The work of the London experts<sup>5</sup> on the Genoa Conference were useful precedents, and provided material of which this Commission would constantly make use. In the end Commander Hilton Young's proposal was agreed to, which was as follows: that the meeting should adjourn for two or three days, while the Russian Delegation prepared provisional answers to the questionnaire on their budget, while the Non-Russian Commission prepared all their available statistics as to the amounts of Russian claims of their nationals for presentation to the Russians. It was therefore agreed that the next meeting<sup>6</sup> should be on Monday or Tuesday, and the actual date was left to the President's discretion.

<sup>4</sup> See, for example, No. 74, Appendix.

<sup>5</sup> See No. 56, Appendix.

<sup>6</sup> See No. 178, below.

*British Delegation (The Hague) to the Earl of Balfour (Received June 30)*<sup>1</sup>  
*No. 28 Telegraphic: by bag [N6283/646/38]*

THE HAGUE, June 29, 1922

The Non-Russian Sub-Commission on Private Property met the Russian Commission this morning.<sup>2</sup>

Sir Philip Lloyd-Greame opened the proceedings by referring to the interrelation of the work of the three Sub-Commissions and pointed out that the final recommendations arrived at would depend upon the co-ordinated conclusions of the three Sub-Commissions. The problem before this Sub-Commission was not merely the restitution of, or compensation for, property previously held in Russia, but was also the reconstruction of Russian industry. Mr. Krassin has stated that the practical difficulties were far less than the theoretical, and in practice ninety per cent of the properties could be returned.<sup>3</sup> He then outlined the classification which had been agreed upon by the Non-Russian Commission<sup>4</sup> and justified it on the grounds of practical expediency. He concluded by suggesting that a classification should be agreed upon and the various industries in that classification discussed in turn.

Mr. Litvinoff said the Russian Delegation would welcome any programme which would lead to rapid results. He referred in somewhat similar terms to his previous speeches<sup>5</sup> to the relations between Genoa and the Hague. He then said that he wished in passing and simply for the sake of clarity to state that it was the programme of the Russian Soviet Government to grant concessions on long terms, but in so doing his Government was not guided by whether the former ownership was in the hands of the State or of foreign or Russian nationals, but it did so simply on grounds of expediency in the interests of the Russian Republic. He was however prepared to accept the programme outlined by the President, but he wished first to draw the attention of the Commission to certain legislation which had been passed in Russia regarding private property. On the suggestion of Sir P. Lloyd-Greame, Mr. Litvinoff gave the decree in question to the General Secretariat for reproduction.<sup>6</sup>

<sup>1</sup> The time of receipt of this telegram is not recorded.

<sup>2</sup> See *Hague Conference*, pp. 66-76.

<sup>3</sup> Cf. No. 104 and No. 181, below. The statement that the difficulties were theoretical, not practical, was made at Genoa by M. Litvinoff (see Nos. 81 and 90). Cf. memorandum of July 1 (N6382/646/38), in which Sir P. Lloyd-Greame, reporting a private conversation with M. Litvinoff on June 30, wrote: 'I then asked him whether he had adhered to the view expressed by Krassin that in practice there would be no great difficulty in restoring the bulk of the property. He said that he had not challenged this when I referred to it at the meeting of the Commission, because he was ignorant of what Krassin had said at Genoa, but that he did not think it represented the facts. . . . He expressed his anxiety to "explore every avenue", and repeated that the Moscow Government would have to make up their mind whether it was worth while to pay the price for foreign assistance, but that this would depend upon the amount of credit they could obtain.'

<sup>4</sup> See No. 166.

<sup>5</sup> See No. 171.

<sup>6</sup> See No. 206, below, and *Hague Conference*, pp. 73-5.

Sir P. Lloyd-Greame then dealt with the practical aspects of Mr. Litvinoff's speech and while he could not accept what Mr. Litvinoff had said, he himself did not propose to go into the question of the motives underlying the policy of the various delegations, but to confine himself to the practical issues.

M. Cattier felt obliged to state quite frankly that since Mr. Litvinoff had made a statement as to the principles which guided his government in the question of private property, the Belgian Government could in no way accept or recognise that principle.

M. de la Pradelle<sup>7</sup> associated himself with M. Cattier and suggested that if discussions were to be continued, Mr. Litvinoff's statement on principles should be temporarily laid aside.

Sir P. Lloyd-Greame expressed his entire agreement with his colleagues and wished to avoid all questions of principles. He thought that from a practical point of view alone, Mr. Litvinoff would be unable to maintain the position he had outlined, as if it were found that the former owners in Russia, who had taken so large a part in building up Russian industrial life were unable to return and to take part in the rebuilding of that industry, then no one but the most specious adventurer would undertake operations in that country. Mr. Litvinoff having explained that he had merely made his statement as briefly as he could and simply for the sake of clearness and he did not intend to raise any question of principle, that subject then dropped.

After some discussion on points of detail, the classification proposed by the Non-Russian Commission was accepted by Mr. Litvinoff and it was agreed that at the next meeting,<sup>8</sup> the various industries should be taken in turn and the question examined as to how far and under what conditions they could be returned to their former owners.

Mr. Litvinoff asked for statistics regarding claims of foreign nationals against Russia, but it was pointed out to him that it was well-nigh impossible to give figures that were in any sense accurate, until it was known whether there was going to be restitution and what were the actual physical conditions of the property at the time of restitution. In reply he suggested that the claimants' own figures for total loss should be communicated to him and he naturally absolved the experts from all responsibility for the accuracy and completeness of their figures.<sup>9</sup>

It was agreed that the next meeting should take place early next week.

<sup>7</sup> See No. 170, n. 7.

<sup>8</sup> See No. 177, below.

<sup>9</sup> The Russian delegation later submitted a questionnaire for submission to shareholders or part owners in enterprises on Soviet territory. Shareholders were asked to give details of shares and interests held (see *Hague Conference*, p. 72).

*Mr. Hodgson (Moscow) to the Earl of Balfour (Received June 30, noon)*

*No. 140 Telegraphic [N6302/646/38]*

MOSCOW, June 29, 1922, 5.30 p.m.

Following are general observations on factors which may assume prominence at The Hague.

Policy continues to be directed by political bureau. I cannot say how far Lenin, in view of his illness, exercises real influence on course of events.

Clear intention of Soviet government is to allow Hague delegation no liberty of action but to exercise full control from here. Experts selected are of inferior grade and without knowledge or experience.<sup>1</sup>

Government no longer hopes to obtain credit from abroad as a result of Hague conference but will utilize conference in order to create dissension among its opponents and arrive at understandings with private interests.

It is taking great pains to impress the world at large that:

- (1) Soviet Russia has now emerged victorious from the most critical period of its financial and economic history.
- (2) Its internal position is stronger than ever.
- (3) Harvest prospects justify unyielding attitude as danger of famine no longer exists.

I am of opinion that these optimistic views have no foundation in fact. Momentary stability of the exchange has been attained partly by restricting issue of currency to such an extent as to cause general embarrassment partly by non-payment of wages to workmen and employ  s while anticipations of revenue propounded at Genoa are completely falsified by results: works are closed down owing to shortage of raw material and impossibility of selling production as result of destruction of national purchasing power. This is not of immediate importance as harvest season will find employment for workmen, but acute situation is inevitable.

Government has, no doubt, advertised its strength by attacks on church and persecution of social revolutionaries but it has encountered widespread though unorganized opposition which gains strength as prevalence of Communist idea weakens.

<sup>1</sup> In his memorandum of July 1 (see No. 172, n. 3), Sir P. Lloyd-Greame reported a conversation with M. Litvinoff as follows: 'I put it to him that they had made a great failure in running their industries, and that the attempt had involved them in enormous budget deficits. He replied that he was in considerable difficulty in either denying or accepting that, as he himself knew little or nothing of industry; that the Russian industrial experts said they either were making or could make a success of the industries. Neither Krassin nor his principal industrial expert had arrived. I gathered that he felt that he was rather being left in the air by Moscow; but I don't think he has many illusions himself about their industrial position. He practically admitted that Russia without foreign assistance would be a very primitive affair.'



Harvest even under most favourable conditions can only yield famine rations so that widespread distress is inevitable without help from abroad. Resources of state are at an end or unrealizable while point is long past when increased taxation can bring in increased revenue.

## No. 174

*British Delegation (The Hague) to the Earl of Balfour (Received July 3)*<sup>1</sup>  
*No. 32 Telegraphic: by bag [N6339/646/38]*

THE HAGUE, June 30, 1922

The Non-Russian Sub-Commission on Private Property met this morning<sup>2</sup> to discuss the points raised by the Russians at the last meeting.<sup>3</sup>

Sir Philip Lloyd-Greame asked for the views of the Sub-Commission on the questionnaire<sup>4</sup> submitted by Mr. Litvinoff. It was decided (1) that the questionnaire was irrelevant as the Commission was not a tribunal to adjudicate on individual claims, but a body to make just recommendations; (2) that in any case the Sub-Commission was not justified in giving details of particular claims, even were it possible, as it would be prejudicial to the interests of claimants to call upon them to submit detailed claims except to a tribunal which could adjudicate upon them and whose admission would be binding; (3) at a later stage it might be necessary to agree upon a statement of the questionnaire to be submitted to the claimants' tribunals.

There followed considerable discussion as to the desirability of giving figures of private property claims asked for by the Russians. It was agreed that the figures should be given, but should be confined to global figures by countries under main headings.

Sir Philip Lloyd-Greame said he would prepare a formula<sup>5</sup> expressing reserves, which would have to be stated for discussion at the next meeting. In the course of this discussion he strongly insisted on pursuing the very fullest enquiry, in order that, if the end of their labours came and a settlement with the Russians could not be effected, it would be apparent to the whole world that every effort had been made and every avenue explored.

A short discussion then took place on the Private Property decree<sup>6</sup> just passed by the Soviet Government and it was agreed that this was so indefinite and impracticable that further discussion would be barren. It was agreed that the question of legislation should be taken as the necessity arose during the course of the enquiry.

It was agreed that there should be a further meeting of the Sub-Commission<sup>7</sup> before the next meeting with the Russians, which will probably take place next Tuesday afternoon.<sup>8</sup>

<sup>1</sup> The time of receipt of this telegram is not recorded.

<sup>2</sup> See *Hague Conference*, pp. 77-8.

<sup>3</sup> See No. 172.

<sup>5</sup> See No. 176, below.

<sup>6</sup> See No. 206, below.

<sup>4</sup> See No. 172, n. 9.

<sup>7</sup> See No. 176, below.

<sup>8</sup> July 4: see No. 177, below.

*British Delegation (The Hague) to the Earl of Balfour (Received July 3)*<sup>1</sup>

*No. 34 Telegraphic: by bag [N6341/646/38]*

THE HAGUE, *June 30, 1922*

The Non-Russian Sub-Commission on Credits held its Second Meeting with the Russian Commission<sup>2</sup> this afternoon.

At the request of the President (Baron Avezana), M. Litvinoff outlined the amount of credit which the Russian Soviet Government required. He divided the figures into four main categories. Firstly, Transport, for which he required one thousand and fifty million gold roubles. Secondly, Agriculture, for which he required nine hundred and twenty-four million gold roubles. Thirdly, Industry, for which he required seven hundred and fifty million gold roubles. Fourthly Commercial and Banking Credits, for which he required five hundred million gold roubles; making a grand total of three thousand, two hundred and twenty-four million gold roubles. He subdivided these categories into various headings and gave a general explanatory statement which will be circulated in extenso together with the detailed figures.<sup>3</sup> In his statement he laid stress upon the necessity of undertaking Russian reconstruction as a whole and not concentrating efforts on one particular branch. He said that the figures only showed the amount of the most urgent needs of Russia. They had been carefully checked and much reduced from the original estimates presented by the different Commissariats. The figures only represented Russia's immediate needs in foreign currencies and did not include the amounts which the Russian Government itself would spend inside Russia. The greater part of these credits would be required in the form of goods and materials from abroad. He explained later that the only cash required would be that with which to pay transport, insurance, organisation and incidental charges for the import of the materials and goods in question. He pointed out that certain of the industries, notably the naphtha and oil industries only required very small credits as the Russian Government proposed to lease portions of this industry to foreign Concessionnaires who would provide their own capital. He drew attention to the fact that these Credits were the credits required by the Russian Government for its own needs and for the needs of the industries which it controlled itself either directly or through State aided Trusts. Further credits would of course be required for private industries, but these credits were a matter of arrangement for the different Concessionnaires and did not figure in his estimates. In response to an inquiry he added that he might be able at a later stage to provide a complete list of the Concessions which the Russian Government was willing to grant and the amount of capital necessary to develop each. M.[de] Chevilly<sup>4</sup> and Commander Hilton Young put certain questions with a

<sup>1</sup> The time of receipt of this telegram is not recorded.

<sup>2</sup> See *Hague Conference*, pp. 366-71.

<sup>3</sup> See *Hague Conference*, pp. 377-81.

<sup>4</sup> French Commercial Attaché for Russia and the borderlands.

view to elucidating details or obtaining further information, the answers to which will be embodied in M. Litvinoff's explanatory statement as issued.<sup>3</sup>

M. Witmeur,<sup>5</sup> the Belgian Expert, commented on the immense figure arrived at when gold roubles were turned into the paper money of today. And after making certain comments on points of detail, he expressed with considerable emotion, his surprise and horror at the state to which Russian industry had fallen. Replying to this point, M. Litvinoff said that he could speak with equal if not greater emotion on the causes of the present state of Russian industry, and could document his reply with facts and figures. But he did not think that the other Delegates would like him to do this, and he therefore contented himself with reminding M. Witmeur of what he had said in his opening speech,<sup>6</sup> namely that the war of intervention had cost Russia some forty to fifty milliard gold roubles, and he left it to the Belgian Delegate to turn it into paper francs. Then M. Litvinoff and M. Sokolnikoff<sup>7</sup> explained certain points of detail in the course of which M. Sokolnikoff pointed out that not only was the Russian Commission asking the Non-Russian Commission for money, but the Non-Russian Commission was also asking the Russian Commission for money in the form of payments of interest and debts. He pointed out that unless the Russian reconstruction was undertaken within a very short time, the last hope of the creditors of Russia obtaining any of their money back would disappear. When, therefore, he said that credits dominated the discussions at The Hague, he was not merely referring to the interests of Soviet Russia, but to the interests of Russian creditors themselves. Commander Hilton Young then suggested that discussion should in future be confined to facts and kept as clear of emotion as possible, and suggested the adjournment of the meeting in order to await M. Litvinoff's promised statement, and digest the information he had already given. The President agreed with Commander Hilton Young, and said that he thought that not only emotion, but also the relative degree of interest which the different parties had in Russian reconstruction should be left out of the question as it could not affect the facts. The meeting then adjourned until a day to be settled later.<sup>8</sup>

<sup>5</sup> Secretary-General of the Committee for the Defence of Belgian interests in Russia.

<sup>6</sup> For the full version of M. Litvinoff's opening speech, see *Hague Conference*, pp. 366-7.

<sup>7</sup> See No. 169, n. 3.

<sup>8</sup> In telegram No. 35 of June 30 (N6342/646/38), the British delegation reported as follows: 'After the meeting M. Witmeur expressed his sorrow at having said too much, and he fully realised that such speeches did not help the work of the Commission at all. This is the second opportunity which Mr. Litvinoff has been given for making a scene or putting forward impossible points of view. The fact that he has availed himself of neither is noteworthy, but it is too early yet to attempt to draw conclusions from the attitude of the Russian Delegation.'

*British Delegation (The Hague) to the Earl of Balfour (Received July 4, 11.30 a.m.)*

*No. 36 Telegraphic: by bag [N6397/646/38]*

THE HAGUE, July 3, 1922

*Confidential.*

The Non-Russian Private Property Sub-Commission held a meeting this afternoon<sup>1</sup> at which the note explaining the reserves under which the figures<sup>2</sup> of the claims of the various countries would be communicated to the Russians was approved.

The meeting also approved of a draft reply<sup>3</sup> to M. Litvinoff's proposal for a questionnaire<sup>4</sup> to be sent to the claimants.

At the close of the meeting, Sir P. Lloyd-Greame briefly explained that he had had an interview with M. Litvinoff and that he had cleared up one or two misunderstandings which M. Litvinoff had appeared to have concerning the differences between government and private credits.<sup>5</sup> Sir P. Lloyd-

<sup>1</sup> See *Hague Conference*, pp. 79-80.

<sup>2</sup> This Note ran: '... These figures are necessarily in the nature of a general provisional estimate. They are compiled from claims notified to Governments or associations in the various countries. It would not be possible for Governments to adjudicate upon or guarantee the accuracy of the claims of their respective nationals. Nor are they able to ensure that claims even of the same nature (much less claims differing widely in character) have been estimated on the same basis in various countries or by the claimants in any given country. For example, it is understood that many claims have been registered in pre-war values, others in present values.

'It is also obvious that even the claimants themselves are in many cases quite unable to give accurate estimates of their claims. They have had no opportunity of visiting their properties or ascertaining their condition. Claims where they have been notified are therefore of the most provisional character. Moreover, the total number of claims cannot at present be stated with certainty as in some cases nationals with claims have not returned from Russia, and even where this is not the case there must be claimants who have not yet registered their claims. Others, again, have been deprived of many relevant documents.

'It must be clearly understood therefore that neither the Sub-Commission nor the Governments of the respective countries accept responsibility for the figures in question, which are given with all reserves necessary in the circumstances.'

<sup>3</sup> Not printed.

<sup>4</sup> See No. 172, n. 9.

<sup>5</sup> In his memorandum of July 1 (see No. 172, n. 3 and No. 173, n. 1.), Sir P. Lloyd-Greame reported as follows: 'I had a long talk with M. Litvinoff yesterday.

'He came to see me unaccompanied by any of his colleagues, and he gave me the impression of talking very frankly, more so than in any conversations at Genoa.

'He said that of course what interested the Russians was credits, and that with them it was a case of finding out how much they would get for what they gave away. He was not very clear as to the working of either Trade Facilities or Export Credits [see No. 81, n. 5], which I explained to him fully; and he certainly had not appreciated the fact that any foreign governmental credit was necessarily merely a starter and lubricant of private credit. For example he said that he could understand that the recognition of debts and settlement of property questions might be necessary to obtain private credit, but why was that necessary to obtain State credit? I explained to him very plainly that the same measure of confidence

Greame requested the meeting to treat this information as absolutely confidential.

had got to be created for the one as for the other, and both were inextricably linked together. He then said that apparently in practice there was no difference in our point of view and the French. He had understood from reading our note to the French, that the French insisted upon restitution or effective compensation, while we should not insist on restitution however shadowy the compensation might be. He apparently thought, or pretended to think, that a paper acknowledgement of debts and "paper" compensation would enable him to obtain credits. I pointed out to him that it had been made clear in our Note that while we agreed that a State had the right to nationalise, subject to the payment of compensation, that compensation must be real and not shadowy. He replied that that was tantamount to restitution if they could not pay compensation. . . .'

### No. 177

*British Delegation (The Hague) to the Earl of Balfour (Received July 5)<sup>1</sup>*  
*No. 38 Telegraphic: by bag [N6446/646/38]*

THE HAGUE, July 4, 1922

The Non-Russian Sub-Commission on Private Property met the Russians this morning.<sup>2</sup>

A considerable time was spent in discussing the questionnaire<sup>3</sup> for Russian claimants which M. Litvinoff had submitted at the previous session. Sir Philip Lloyd-Greame stated that the total claims would be given by countries subject to the necessary reserves. He explained that the Non-Russian Commission was of the opinion that the detailed questionnaire was irrelevant to the present discussions, that it would be impossible to obtain the information asked for, that even were it possible, it would involve considerable expense, a great deal of work, and the results could not possibly arrive before the close of the Hague Commission, and would therefore be valueless. M. Litvinoff, while not advancing any practical reasons why the questionnaire [was] required, maintained that it was only fair that the Russian Delegation should have some means of knowing the amount and nature of the claims against them, and should have some sort of data on which they could base an opinion as to the amount of exaggeration which had taken place.

The Non-Russian Commission adhered to their decision, pointing out fully both the irrelevance and impracticability of the proposal. M. Litvinoff asked that it should appear on the *procès-verbal* that the Russian Delegation did not concur in the decision.

The Sub-Commission then passed to the main programme.

Sir Philip Lloyd-Greame asked M. Litvinoff to give full information about the various industries, e.g. how the Russian Government proposed to reconstruct them, and how it intended to ensure the return of former industrialists to their property and to what extent. M. Litvinoff replied that a full list

<sup>1</sup> The time of receipt of this telegram is not recorded.

<sup>2</sup> See *Hague Conference*, pp. 81-9.

<sup>3</sup> See No. 172, n. 9.

of the concessions which the Russian Government was prepared to give was being prepared, and would be available in the course of a few days. In the meantime, he was unable to give any precise information. Sir Philip Lloyd-Greame seized this opportunity of pointing out to M. Litvinoff that no money, whether Government or private, would be put into Russian industry unless the investors were satisfied that the industries were being run by people who were capable of running them efficiently and unless they were satisfied as to the security of tenure and treatment that they would thus receive in Russia. And on this latter point he explained that the principal criterion which investors would judge by was the treatment of former owners in Russia.

The meeting was adjourned until M. Litvinoff's statement was ready.

### No. 178

*British Delegation (The Hague) to the Earl of Balfour (Received July 5)*<sup>1</sup>  
*No. 39 Telegraphic: by bag [N6447/646/38]*

THE HAGUE, July 4, 1922

The Non-Russian Sub-Commission on Debts met the Russian Commission this afternoon.<sup>2</sup> M. Sokolnikoff read a long explanatory statement about the Russian budget, which will shortly be circulated in extenso. The figures which he gave were apparently the same as those contained in Mr. Hodgson's despatch No. 335 of May 24.<sup>3</sup> After one or two questions of detail had been put by M. Galopin, the Belgian expert, it was decided that further questions should be postponed until the members of the Non-Russian Sub-Commission had had an opportunity of studying the figures at leisure.

M. Alphand then explained to the Russians that the figures of the Russian bonds held by foreign nationals could not be considered absolutely complete and accurate, and were given with all necessary reserves.

M. Alphand then explained that the Second Sub-Commission was not prepared to forward his questionnaire to bondholders, for the reasons which had been explained at the meeting of the First Sub-Commission this morning.<sup>4</sup> M. Litvinoff wished his objection to this decision to be noted in the records of the meeting.

M. Alphand then read out Sections B and C of Annex No. 8 to H.C.B. 27<sup>3</sup> A (questions relating to the Russian Debt and to the Russian proposals for any scheme of repayment). M. Litvinoff said that the Russian Commission would not bind themselves to give this information, but would consider it and let the Non-Russian Commission know in due course what they were prepared to do. The meeting then adjourned until a date to be agreed upon.

<sup>1</sup> The time of receipt of this telegram is not recorded.

<sup>2</sup> See *Hague Conference*, pp. 222-42.

<sup>3</sup> Not printed. See, however, *Hague Conference*, pp. 227-41.

<sup>4</sup> See No. 177.

*British Delegation (The Hague) to the Earl of Balfour (Received July 7)<sup>1</sup>*  
*No. 41 Telegraphic: by bag [N6513/646/38]*

THE HAGUE, July 6, 1922

The Non-Russian Sub-Commission on Debts met this morning<sup>2</sup> to discuss the budget statement made by M. Sokolnikoff at the last meeting with the Russian Commission.<sup>3</sup> There was some discussion as to the tactics to be adopted *vis-à-vis* the Russian Commission. It was agreed that discussion of the budget with the Russian Commission should be confined to matters requiring further elucidation, and that polemics should be avoided.

M. Galopin made a long statement criticising various features of the budget statement and pointing out where further information was required. Commander Hilton Young drew attention to the large receipts expected from transport and state industries. He also commented on the difficulty of effecting the drastic reduction in expenditure referred to by M. Sokolnikoff. He suggested, however, that attention should be concentrated on the deficit and the manner of meeting it, with particular reference to the emission of paper money. The Spanish expert<sup>4</sup> drew attention to the Grain Loan and its repayment, and commented on the complete disappearance of communist principles from Russian finance.

M. Alphand drew attention to the difference between the budget explained by M. Rakowsky at Genoa<sup>5</sup> and M. Sokolnikoff's budget and wondered whether the latter might not be propaganda for the Non-Russian Commission. He then summed up the questions to be asked and suggested that those experts whose studies of the figures were not yet complete, should let him know any further points which they suggested should be put to the Russians.<sup>6</sup>

<sup>1</sup> The time of receipt of this telegram is not recorded.

<sup>2</sup> See *Hague Conference*, pp. 243-7.

<sup>3</sup> See No. 178.

<sup>4</sup> M. P. Saura, Spanish Consul in Brussels.

<sup>5</sup> Presumably a reference to M. Rakowsky's report on the financial and economic conditions in Russia at the second meeting of the Credits Sub-Commission of the Financial Commission on April 26, 1922.

<sup>6</sup> In a letter to Mr. Ovey of July 6 (N6559/646/38), Commander Maxse reported as follows: 'Sokolnikoff has just made a statement to the press admitting that the Russians are prepared to yield "to a satisfactory extent" on the question of debts and private property if they can get credits. . . . It is therefore of the utmost importance that for the next few days Hodgson should do nothing in Moscow which could in any way be interpreted as asking for favours by the British Government.'

In his telegram No. 54 of July 6, Sir G. Grahame reported: "'Indépendance Belge" gives prominence to interview given by Mr. Urquhart [see No. 74, n. 14] expert of British delegation at The Hague to its correspondent there respecting private property in Russia. He is represented as having said that concessions of Soviet government are quite illusory and that there is no guarantee that any of their future decrees will not be arbitrarily revoked; that compromise between capitalism and communism is absolutely impossible and that the only solution is re-establishment of system of private property without restrictions.'

Mr. O'Malley minuted (July 7): 'Mr. Urquhart's statements may be true; but if all the

semi-official personages attached to the various delegations at the Hague were to publish their views in this way, the conduct of business in the Commission itself would become impossible.'

## No. 180

*British Delegation (The Hague) to the Earl of Balfour (Received July 7)*<sup>1</sup>

*No. 43 Telegraphic: by bag [N6514/646/38]*

THE HAGUE, July 6, 1922

The Non-Russian Sub-Commission on Private Property held its sixth meeting this afternoon.<sup>2</sup> The Russian Commission having asked for a meeting tomorrow, July 7th, this was fixed for 3 p.m.<sup>3</sup>

Sir P. Lloyd-Greame called the attention of the Sub-Commission to the question of rouble debts (trade balances, bank deposits) and also to the question of rouble bonds which though really a matter for the second Sub-Commission was very closely allied. He proposed a joint Sub-Committee of the First and Second Sub-Commissions to examine this question. He was supported by M. Alphand and the proposal was adopted.

M. Alphand raised the question of 'public utility undertakings'. The precise definition of the scope of the two Sub-Commissions on this point was also referred to the joint Sub-Committee.

The question of the rate of conversion of rouble claims for presentation to the Russian Commission was next considered and it was agreed that such claims should be converted at a rate corresponding to the average gold value of the rouble in October, 1917.

Sir P. Lloyd-Greame then raised the general question of the taxation to which restored properties were to be subject in Russia, and a general exchange of ideas took place.

<sup>1</sup> The time of receipt of this telegram is not recorded.

<sup>2</sup> See *Hague Conference*, p. 90.

<sup>3</sup> See No. 181, below.

## No. 181

*British Delegation (The Hague) to the Earl of Balfour (Received July 8)*<sup>1</sup>

*No. 46 Telegraphic: by bag [N6546/646/38]*

THE HAGUE, July 7, 1922

The Non-Russian Sub-Commission on Private Property met the Russian Commission this afternoon.<sup>2</sup> M. Litvinoff read some extracts from the decree of the 23rd November, 1920,<sup>3</sup> giving the general conditions under which concessions were granted to foreigners, and also gave some particulars as to the general clauses concerning labour which would be inserted in any

<sup>1</sup> The time of receipt of this telegram is not recorded.

<sup>2</sup> See *Hague Conference*, pp. 91-117.

<sup>3</sup> See No. 206, below.



contract. He then commenced to read a list of the Concessions which the Russian Government was prepared to grant to foreigners, having previously explained that this list was probably incomplete, and that in any case, as the result of new facts or experience, the Russian Government might decide to hand over to a foreign concessionaire a factory or industry which it had hitherto retained for exploitation by the State.

On the motion of M. Cattier, it was agreed that instead of continuing to read this long list of concessions M. Litvinoff should hand it in to the Secretariat who would distribute it and thus enable the Non-Russian Commission to consider it more fully.<sup>4</sup>

In reply to a question by M. Cattier, M. Litvinoff stated that this list was made up without regard to previous ownership of the properties and that it was impossible for him to say which of these concessions had belonged to previous owners, nor what percentage of such properties were included in this list. He said that the questionnaires which he had submitted<sup>5</sup> had been designed to obtain this information, which the Russians needed themselves and that it was up to former owners to identify their former properties in the list of concessions. M. Litvinoff further replied that the Russian Government was prepared to grant concessions to anyone irrespective of former ownership, but recalled that the Russian Government had agreed at Genoa<sup>6</sup> to give a preferential right of concession to former owners. He also stated that the decree of May 22nd, 1922,<sup>3</sup> establishing the right of private property, could in no sense be made retrospective. Considerable discussion ensued as to what exact form this preferential right would take, and M. Litvinoff refused to answer M. Cattier's question as to whether the Russian Government was going to sacrifice a former proprietor to anyone who could offer better terms to the Soviet Government.

M. Litvinoff then intimated that it was impossible for the Russian Commission to make any statement as to its intentions on private property until it had received a reply to its own questions which it had addressed to the Credits Sub-Commission.<sup>7</sup> Sir P. Lloyd-Greame pointed out that it was in the very nature of the facts themselves that the Sub-Commission on Credits could not answer the Russian Commission until it knew whether the conditions upon which alone credit could be granted were going to be established in Russia.

After a further discussion of this point, Sir P. Lloyd-Greame again emphasised the fact that the granting of credits was beyond the control of any government, and depended entirely upon whether or not conditions were present which would attract the investor all over the world. He then pointed out that the work of this first Sub-Commission really consisted in assessing the conditions upon which the former industrialists in Russia could return to their undertakings, and he suggested that at the next meeting the Sub-Commission should carefully examine these conditions.

<sup>4</sup> For the 'List of Concessions', see *Hague Conference*, pp. 100-16.

<sup>5</sup> See No. 172, n. 9.

<sup>6</sup> See No. 91, Annex.

<sup>7</sup> On June 7: see No. 169, n. 5.

M. Krassin then made a personal statement explaining that what he was reported to have said at Genoa was not quite correct: he had said that if any agreement was reached the question of compensation of former owners would only arise in a few cases as most could be settled by some form of concession; but this did not commit him to the principle of restitution or compensation. Sir P. Lloyd-Greame replied that this was practically how he had quoted M. Krassin, and the subject dropped.

Some discussions as to the best procedure followed but in the end Sir P. Lloyd-Greame's proposal (referred to above) was agreed to.

## No. 182

*British Delegation (The Hague) to the Earl of Balfour (Received July 10)*<sup>1</sup>  
*No. 47 Telegraphic: by bag [N6612/646/38]*

THE HAGUE, July 8, 1922

The Credits Sub-Commission sat yesterday afternoon<sup>2</sup> to consider, in the absence of the Russian Commission, the notes circulated by Mr. Litvinoff<sup>3</sup> in explanation of his scheme for the distribution of the foreign credits. It was generally agreed that Mr. Litvinoff's explanation added little to his speech, and that it would be necessary to make further enquiries. It was arranged that, for the time being, the Sub-Commission should confine their enquiries to headings (1) Transport and (2) Agriculture.

Mr. Hilton Young agreed to this arrangement, but pointed out that we should be at grips with the Russians on the question of credits when we came to deal with guarantees, at which stage they would certainly ask for a statement of our intentions. In the meantime the various nations had an opportunity to make up their minds on their plans for credits to Russian industry.

M. de Chevilly urged the Delegations to consider, assuming that only private capital was available for Russia, whether they were going to place it at the disposal of the Russian Government, or at the disposal of private undertakings. It was certain that the latter course would prove much more attractive to French capital.

Mr. Hilton Young said that one of the main questions to be considered was the willingness of the investment market. It was clear that it would be no use at the present time for the Russian Government to attempt to raise a loan on any money market, and that other undertakings would find their course easier in direct proportion to their degree of separation from the Soviet Government. The Sub-Commission should distinguish clearly between (1) long credits for which the appropriate instrument was the bond, and (2) short credits for which the appropriate instrument was the bill of exchange.

The French and other delegates expressed general agreement with these views. Before closing the meeting, the Chairman read a letter<sup>4</sup> from the

<sup>1</sup> The time of receipt of this telegram is not recorded.

<sup>2</sup> See *Hague Conference*, pp. 372-6.

<sup>3</sup> *Ibid.*, pp. 377-81.

<sup>4</sup> *Ibid.* p. 382.

Czecho-Slovak Delegate<sup>5</sup> proposing the establishment of a new Sub-Committee to examine the various decrees bearing on the question of credits which had been passed by Soviet Russia, but it was agreed to take no action on this suggestion until it had been referred to the Standing Orders Committee.

<sup>5</sup> Dr. V. Girsá, Czechoslovak Foreign Minister.

## No. 183

*British Delegation (The Hague) to the Earl of Balfour (Received July 11)*<sup>1</sup>  
*No. 49 Telegraphic: by bag [N6653/646/38]*

THE HAGUE, July 10, 1922

The First Non-Russian Sub-Commission on Private Property met this afternoon at 3 o'clock.<sup>2</sup> Sir Philip Lloyd-Greame referred briefly to the list<sup>3</sup> submitted by the Russians of the private properties they were prepared to restore. Whole classes of industries had been left out. The proportion of British properties was very small and the proportion of other countries did not seem to be any better. The list was however stated to be only a preliminary one. In these circumstances he saw no object in engaging on a prolonged discussion of the matter.

The Sub-Commission agreed generally.

The President then raised the question of the general conditions under which property if restored would be held. They had agreed that this must be considered at the next meeting with the Russians. He had therefore prepared some notes as a basis for discussion of this question. A copy of these notes is attached.<sup>4</sup> (The memorandum had in fact been prepared by the British Delegation in consultation with M. Cattier.)

M. Cattier said that the document required great study and proposed that they should meet again to consider it in detail before meeting the Russians. This was agreed to.

A discussion followed on the general line to be taken with the Russians. M. Cattier insisted on the necessity of being satisfied on the actual properties to be returned. They could not leave owners to negotiate at large with the Russians without the certainty that they would get possession of their properties; but he agreed with the order proposed by the President. M. Krassin's letter (see Minutes of last meeting)<sup>5</sup> was wholly unacceptable.

M. de la Pradelle said the French Experts thought that the statements of the Russians at the last meeting<sup>5</sup> would justify a breach; but if the Commission desired to investigate matters further he was prepared to help in every possible way. He was quite prepared to leave the question of tactics to the President in whom he had complete confidence.

<sup>1</sup> The time of receipt of this telegram is not recorded.

<sup>2</sup> *Hague Conference*, pp. 118-19.

<sup>3</sup> See No. 181, n. 4.

<sup>4</sup> Not printed.

<sup>5</sup> See No. 181: for M. Krassin's letter, see *Hague Conference*, p. 117.

Sir Philip Lloyd-Greame said he was quite clear that they could not break on the last meeting. Suppose they did, business men would ask if they had enquired into the general conditions; and the Russians would say that if they had put them forward they would have been readily agreed to. It was impossible that the question of restitution should be left a matter for negotiation between the Soviet Government and the old proprietors. He thought that first however they should enquire into the conditions under which the old owner would be able to work, if the property was restored. If the Russians either refused to discuss the conditions, or if they refused essential conditions, then they could show the world clearly the impossibility of continuing negotiations. The Commission agreed to follow the course recommended by the President.

The Commission then adjourned till to-morrow morning when they will discuss Sir Philip Lloyd-Greame's notes.<sup>6</sup>

<sup>6</sup> Not printed.

## No. 184

*British Delegation (The Hague) to the Earl of Balfour (Received July 11)*<sup>1</sup>  
*No. 51 Telegraphic: by bag [N6655/646/38]*

THE HAGUE, July 10, 1922

The Credits Sub-Commission met the Russian Commission this morning<sup>2</sup> for a consideration of M. Litvinoff's proposals for reconstruction.

1. The Chairman began by thanking the Russian delegates for their explanation of their credits scheme.<sup>3</sup> It was especially satisfactory to note that the Russian Government recognised the necessity of itself taking a full share in the work of reconstruction. He proceeded to put to the Russians a number of supplementary questions.

2. M. Litvinoff handed in the following questionnaire which he wished to put to the Non-Russian Commission.

'Subject to an agreement being reached on the questions dealt with by the first and second sub-commissions:

1. Which of the Governments represented at the Hague Conference would be prepared and would be able to grant credits to the Russian Government and to what amount?
2. In what form would the credits referred to in item 1 be granted? In the form of a direct loan to the Russian Government or in the form of drafts drawn by suppliers of goods on the Russian Government and guaranteed by the other governments?
3. What would be the duration and the terms of the loans, credits or guarantees?

<sup>1</sup> The time of receipt of this telegram is not recorded.

<sup>2</sup> See *Hague Conference*, pp. 383-90.

<sup>3</sup> See No. 182, n. 3.

4. What acts exist in the various countries empowering their governments to grant credits in connection with foreign trade and for what amounts?
5. What additional legislative measures may be necessary to extend the above acts to Russia, and could the amount be increased?
6. How long will remain in force in Great Britain the Overseas Trade Acts as amended in November 1921?
7. Could the term of credits mentioned in section 2 (2) of the Trade Facilities Act 1921 and in Clause 7 (II) of 'Export Credits'<sup>4</sup> be prolonged and for how long?
8. Will the guarantee of the British Government on 'Export Credits' cover the full amount of the bills and will any security be required from the exporters?
9. What amount is still available under the Overseas Trade Acts and what amount thereof could be earmarked for Russian Credits?
10. What credits have been granted under the Overseas Trade Acts, to which countries, to what amounts and on what terms?

3. The Non-Russian and Russian Delegates then separated to discuss their replies.

It was agreed in the Non-Russian Commission, on the suggestion of Mr. Hilton Young, to answer the Russian questionnaire in the following sense:—

- (a) certain of the questions dealt with matters of fact, mainly relating to British Legislation, and there would be no difficulty in framing an answer.

This referred to questions 4, 6, 7 and 10, to the first parts of questions 5 and 9, and to question 8 if read in the present and not the future tense.

- (b) the remaining questions could not be answered at the moment. They were a matter for decision by the various Governments represented at The Hague, and the Non-Russian Commission could make no recommendations to those Governments until they had received and examined the basic information for which they had asked the Russian Commission.

4. On the return of the Russian Delegates, M. Krassin made a long statement dealing with certain of the questions put by the Chairman. His most important points were that the Russian Government contemplated (i) only a 50 per cent. restoration of the pre-war statement of transport efficiency, (ii) agricultural concessions to foreigners to the extent of 4 million hectares (iii) the maintenance of state control of foreign trade, and internal prices and profits (iv) the early imposition of a customs tariff on the pre-revolution model.

5. The French delegate showed considerable uneasiness as to the guarantees which the Soviet would have to give to pre-war investors in Russian railways, etc.

6. The Chairman replied to M. Litvinoff's questionnaire on the lines of

<sup>4</sup> See No. 81, n. 5.

para[graph] 3, and the Russian delegates accepted this answer without protest.

7. M. Krassin, in reply to questions by Mr. Hilton Young, made it clear that he desired that all the agricultural credits asked for should be given to the Soviet Government itself.

### No. 185

*Commander Maxse (Scheveningen) to Mr. O'Malley*

[N6696/646/38]

SCHEVENINGEN, *July 10, 1922*

My dear Owen,

We have now reached the critical stage of the Conference. There are three possible alternatives before us:—

- 1) that the Russians will be so impossible that we break off altogether:
- 2) that the Russians will be sufficiently impossible to drive the French, and possibly the Belgians, away:
- 3) that we shall arrive at joint recommendations.

Briefly the position at present is that the Russians are maintaining in public the position that they cannot admit any principle of restitution or compensation and will not recognise their debts except on conditions of obtaining credits. It is, I think, fair to say that they are maintaining this attitude with the minimum of provocation; their speeches are in marked contrast to those which the Russians made at Genoa, but nevertheless they have made statements of principle which the French and Belgians find it extremely hard to swallow.

In his private conversations with Philip,<sup>1</sup> Krassin has been more amenable, but it seems fairly clear that the Russians are prepared in practice to go very far towards meeting our requirements, if they can be convinced that by so doing the credits resources of Western Europe will be made available to them.

It is possible therefore that the third alternative may materialise, but the principal difficulty will be with the French and possibly the Belgians. The two latter will undoubtedly be very reluctant to come to any agreement which could in any way be held to imply recognition of the right to nationalise private property. It is no use quoting precedents to them, they are of the firm opinion that the modern tendency towards nationalisation has gone far enough and that it would be suicidal to do anything which could be construed as an acknowledgement of the legitimacy of that tendency.

If they continue to maintain this attitude the question will at once arise as to whether we are to continue the Conference without them. If we do, I have little doubt that we shall arrive at a satisfactory settlement. If we do not, every country will be automatically freed to make its own arrangements

<sup>1</sup> i.e. Sir Philip Lloyd-Greame.

with the Russians. Again, I have little doubt that if this course is taken, we can make a very satisfactory arrangement with the Soviet Government.

If on the other hand, we are to keep in with the French and Belgians at all costs, we run the risk of breaking off this Conference under conditions which will leave the Soviet representatives with several good propaganda cards in their hands. We have already only just succeeded in avoiding this dénouement on one occasion.<sup>2</sup> Moreover, the French are even asking us if we are prepared to make an agreement governing concessions to our nationals in Russia in the event of the break up of this Conference. In particular they want us to bind ourselves to prevent our nationals taking over anybody else's property. Apart from the difficulty of carrying out such an agreement, it would obviously be useless unless the United States were included, and on this ground alone, such an agreement cannot be entertained at the moment.

If then we were to consult merely our own immediate interests in the Russian problem, there is no doubt that this could best be done by letting the French and Belgians do what they liked. We have no doubt here that Krassin would be prepared to give us everything we wanted, if he could at that price break the European front, but, of course, such a result would produce effects which would be felt far beyond the sphere of the Russian problem.

The question with which we are faced is therefore, are we prepared to make a deal with Russia if she offers terms which we consider reasonable and which the French do not?<sup>3</sup>

Yours ever,  
FITZ

<sup>2</sup> Presumably a reference to the meeting of the Non-Russian Commission on Private Property with the Russian Commission, on July 7 (see No. 181).

<sup>3</sup> Sir W. Tyrrell (Assistant Under-Secretary of State at the Foreign Office) minuted on July 14: 'I confess I have not much confidence in the future of any industrial enterprise in Russia as long as the Bolshevik régime lasts. I should not therefore worry very much about the grant of concessions.'

## No. 186

*British Delegation (The Hague) to the Earl of Balfour (Received July 13)<sup>1</sup>*

*No. 56 Telegraphic: by bag [N6716/646/38]*

THE HAGUE, July 12, 1922

The Non-Russian Sub-Commission on Private Property met the Russian Commission this morning.<sup>2</sup>

Sir Philip Lloyd-Greame first of all referred to the list of properties, which M. Litvinoff had handed in at the previous meeting.<sup>3</sup> He pointed out that only a very small percentage of property previously owned by foreign nationals was included therein, that whole branches of industries were omitted

<sup>1</sup> The time of receipt of this telegram is not recorded.

<sup>2</sup> See *Hague Conference*, pp. 121-32.

<sup>3</sup> See No. 181.

and that if this list were the last word of the Russian Government as to the properties they were prepared to hand back, it would be absolutely unacceptable.<sup>4</sup> Not only would it fail to satisfy the reasonable and just claims of foreign nationals, but it would show that the Russian Government did not intend to seriously undertake their reconstruction by encouraging the return of those who had built them up.

Passing on to the conditions under which concessionnaires could work their concessions in Russia, he pointed out that the Commission had to satisfy itself on certain points and he proceeded to read the nineteen points, which are given in my immediately following telegram.<sup>5</sup>

<sup>4</sup> In telegram No. 54 of July 11 (N6693/646/38), the British delegation, referring to a private conversation held that afternoon between the British delegation, M. Cattier, and M. Krassin, stated: 'Mr. Krassin's attitude, both as regards the actual restitution of property and the establishment of essential conditions, if maintained, will make any agreement impossible. It is probable that these issues will be raised definitely at the meeting of the Property Sub-Commission tomorrow. In this event, if the Russian Delegation adhere to the views expressed privately by Mr. Krassin, it will probably be useless and impossible to continue the work of that Sub-Commission and the whole Conference will terminate rapidly.'

<sup>5</sup> British Delegation telegram No. 57 of July 12. The nineteen points were: '1. The length of the term on which property will be held:

a) Property previously freehold;

b) Property previously leasehold.

'2. Correspondence of financial and other obligations contained in the new concession or lease with those contained in the original instrument of title.

'3. Right of concessionaire to assign or bequeath or otherwise dispose of his undertaking.

'4. Freedom of concessionaire in control and management of property.

'5. Rights and facilities of concessionaire having regard to rights and facilities previously enjoyed and the present conditions.

'6. Adjustments of conditions in case of Public Utility Undertakings. (Adjustments which have been made all over the world.)

'7. Introduction of foreign personnel and freedom of all personnel from arbitrary interference and adverse discrimination.

'8. Liberty to import raw materials, machinery, goods, etc. required in connection with his undertaking.

'9. Liberty to export (a) products of undertaking (b) goods acquired by concessionaire in the course of his business.

'10. Export and import duties, and equality between persons in this respect.

'11. Freedom of disposal of products of undertaking in Russia.

'12. Facilities with regard to provision of food, fuel, raw materials, equipment, housing accommodation, etc.

'13. Facilities in connection with transport and communications. (It is obviously unreasonable that special facilities should be given to Soviet enterprises and not to others.)

'14. Banking and credit facilities.

'15. Composition for direct central and local taxation by (a) a share in profits, or (b) a percentage of output.

'16. Non-discrimination in other taxation.

'17. Compensation for loss and damage due to the action or neglect of national government or local authorities.

'18. Immunity of property from confiscation.

'19. Position of Trade Unions in regard to compulsory membership and non-interference in the management of the undertaking. (About this point note has been taken of the declarations which the Russian Delegation has already made.)'



He pointed out that these were the general conditions which practical business men would need to know about before they could risk their capital in building up derelict Russian industries. These conditions were known in advance in the case of all other countries and must certainly be known beforehand in the very special conditions of Russia, where with the best will on both sides, reconstruction would be an uphill task.

He further pointed out that it would be necessary to know clearly and precisely what properties were going to be handed back; what properties were going to be retained and why it was impossible to hand such properties back and what compensation it was suggested should be paid to the former owners of such properties. This last general question was intimately bound up with the question of conditions and it was absolutely vital that the Non-Russian Commission should know where it stood on these important points.

M. Litvinoff first of all referred to the list of concessions which he said had been made out regardless of previous ownership and which were those, which for economic reasons the Russian Government was prepared to lease to foreigners. It was true the list was not complete, but the great majority of concessions were included. It was necessary to retain certain industries in the hands of the state. As to public utility undertakings, these were in the hands of the local Soviets, who enjoyed the same powers as the former municipal bodies. He could not give precise information, as it would be necessary to consult all these local bodies, but in principle there was no objection to such undertakings being conceded to foreigners, indeed he believed some such undertakings had already been the subject of concessions.

The question of compensation was not one of information, but of negotiation. He was quite prepared to discuss compensation, but the Russian Government could not burden itself with fresh obligations, until it could estimate how speedily Russian reconstruction would proceed and until it knew what help it was going to receive from abroad in that work of reconstruction. He then went on to deal with the conditions and returned comparatively favourable answers to Nos. 4, 7, 8, 9, 10, 11, 12, 13, 14, 18 and 19. In regard to Nos. 5 and 6, he generalised by saying that the Russian Government was ready to assist concessionnaires in every way that it could and to give every practical right and facility. With regard to Nos. 15 and 16, he said that the Soviet Government was prepared to give assurances as to taxation which would leave concessions profitable ones for private capitalists to undertake and there was no objection in certain cases to limiting total taxation to a proportion of the output or each similar arrangement as might be concluded in the special agreement. He ended by referring to the stability of the Russian Government and assuring the Commission that capitalists ran less risk by putting their capital into a country which had already had its social revolution, than by putting it into those in which a social revolution might occur in the future.

M. Krassin then dealt with the remaining questions, prefacing his answers by pointing out that the mere restitution of private property under similar conditions to those which former owners previously enjoyed would not meet

the problem, since the whole basis of economic life in Russia had been altered and a special contract must be entered into with the State if the concessionnaire was to enjoy the nationalised services, such as transport. He went on to say that changes in such contracts could only be made by mutual consent; that if changes were made, the concessionnaire would be compensated for any loss; that such contracts would give complete guarantee as to freedom of property and disposal of produce, except for such payment as might be due to the Soviet Government in accordance with the terms of the contract. The duration depended on the nature of the enterprise and might range from ten or fifteen years to ninety-nine, but would in any case be of sufficient length to ensure complete amortisation of the capital. Custom duties would be the same approximately as the pre-war tariff and calculations based on that tariff would give the concessionnaire a fair idea of what he might expect.

He then went on to define the general policy of the Soviet Government. He said they adhered to the principle of nationalisation of the great industries and transport by land and water. For economic and military reasons, certain industries and transport systems had to be retained by the State to-day, but they might later on be leased to mixed companies in cases where they could not be entirely conceded to foreigners.

M. Cattier pointed out that, after the statements they had listened to, certain doubts had been cleared up. The Soviet Government either had to restore property or else give real compensation. There was no other choice possible. It appeared that the Russian Government was not disposed to conclude an agreement about restitution in practice. They said that compensation could only be discussed when the credits available for Russia were known. It resulted therefore that the Russian Government neither accepted restitution nor compensation. The Non-Russian Commission had no intention of imposing its will upon the Russian Government, but there must be either restitution or compensation, and it was for the Russian Government to choose. He would ask M. Litvinoff if compensation was agreed upon, what form should the previous owner receive it in.

M. Litvinoff classified the question as hypothetical, and said he could not answer until he knew the results of the Credits Sub-Commission. In reply to a further question by the President, he repeated that, until help was given to Russia by those who, in the opinion of the Russian Government, held the greatest responsibility for the destruction of Russian economic life, the Russian Government did not feel itself obliged to pay compensation, and compensation could not be discussed until the Russian Government knew whether it would receive help or not.

The President then resumed the position which, he said, amounted to this. Firstly, there was no guarantee that any former proprietor was going to receive restitution of his property. Even within the list of concessions produced, there was no assurance that former proprietors would receive different treatment to any other capitalist competing for concession[s] in that list. He was to enter into detailed negotiations in every single case and without any guarantee. Therefore the position as regards the old proprietor was

the same as it had been not only before this Conference, but before the Conference at Genoa.<sup>6</sup> Secondly, that the conditions of working the concession were all to be matters of separate negotiation in each case. Not one single owner had the certainty that he would get back a single item of his property. There was no obligation on the part of the Russian Government to compensate him, and even supposing he did get his property back, there was no certainty as to the conditions under which he would be able to work it. He also pointed out that it was apparently the declared intention of the Soviet Government not to put back the Russian industry into the hands of those who had built it up and run it in the past. He proposed to consider the results of this morning's meeting with his colleagues to see whether any further discussions on this question could be of any possible utility.

M. Litvinoff took exception to the President's summary. He recalled the offer which the Soviet Government had made to give former proprietors the first refusal of their property. He also recalled the decrees which he had previously read governing the general conditions, and said that these should be added to the answers that he had given that morning which could be made applicable to all concessions which could not only be inserted in every separate agreement, but which could be inserted in any general agreement which might be arrived at here. He went on to refer to the basis on which this Conference had been called and the work which had been done in Genoa, and accused the President of removing the basis of these discussions by putting property before credits. He commented on the British Government's Note to the French Government,<sup>7</sup> where it admitted the right of the Soviet Government to nationalise property and suggested that the Chairman had contradicted his own Government's memorandum.

This Conference was only doing half of its work at a time, but the fault was not with the Russians, but with the procedure laid down by the Non-Russian Commission. The Russian Delegation had co-operated to the very best of its ability, but it could not give answers to those questions until it had received the information for which it had asked itself on the Credits Sub-Commission. The President then explained that the British Note, while admitting the right to nationalise, had pointed out not only that compensation must be paid, but that compensation must be real, and it was evident from the information now in the possession of the Non-Russian Commission that the only effective compensation which the Soviet Government could give was that of complete restitution wherever possible. He referred to the document of the 15th April<sup>8</sup> and pointed out that compensation to individuals had from the very beginning been clearly disassociated from every other question.

He went on to point out that this was a bigger question than the mere relation between the Soviet Government and individual proprietors. It was not the Non-Russian Commission who had linked credits with property and debts. It was not a mere question of procedure; it was a question inherent in the very facts of the situation. It was inherent in the economic laws which no

<sup>6</sup> Chapter III.

<sup>7</sup> See No. 148, Enclosure.

<sup>8</sup> See No. 74, Appendix.

Government could disregard even if it wanted to. Any agreement on credits which disregarded the conditions under which that credit would be employed would be valueless. Unless the men who had the money for credit were satisfied as to the conditions in which that credit would be employed, discussions and even agreements to give credits would be bound to break down. The situation was governed not by procedure, but by these economic facts which must form the basis of any practical Conference, and in these circumstances he saw no useful purpose in continuing the discussions of this Sub-Commission. M. Litvinoff then quoted textually from the British Memorandum to the French Government, and disagreed with the Chairman's interpretation of it, to which the President replied that the Non-Russian Sub-Commission was content to leave the facts to speak for themselves. The Russians had not only declined to admit the principle of compensation, but they had even refused to discuss what form that compensation might take if an agreement on other points was reached.

The meeting then closed.

### No. 187

*British Delegation (The Hague) to the Earl of Balfour (Received July 13)*<sup>1</sup>  
*No. 58 Telegraphic: by bag [N6718/646/38]*

THE HAGUE, *July 12, 1922*

The Non-Russian Sub-Commission on Debts met the Russian Commission this afternoon.<sup>2</sup> M. Alphand opened the proceedings by asking if the Russian Delegation were prepared to answer the supplementary questions on the Budget<sup>3</sup> which had been put at the previous session.<sup>4</sup>

M. Sokolnikoff then answered in detail the questions which had been put in the course of the meeting on July 7th (H.C.B. No. 43).<sup>5</sup> Briefly, his amplifications showed that his previous estimates had been correct, and that

<sup>1</sup> The time of receipt of this telegram is not recorded.

<sup>2</sup> See *Hague Conference*, pp. 294-324.

<sup>3</sup> In telegram No. 55 of July 11, the British Delegation reported that, at a meeting that morning, the Non-Russian Sub-Commission on Debts, considering the procedure to be adopted at the meeting with the Russians had agreed: '1) that the Russian delegation should be asked for further information on their budget.

'2) that the Non-Russian Sub-Commission should throughout act on the assumption that the presence of the Russian delegates was a proof of the willingness of the Russian Government to recognise its debts. The Russians should however be asked to define further Monsieur Chicherin's declaration of the 28th October 1921.' [See Cmd. 1546 (1921) *Correspondence with M. Krassin Respecting Russia's Foreign Indebtedness*, pp. 2-5, and Degras, vol. (1), pp. 270-2.]

'3) that the Russians should be asked to discuss the methods by which the service of their debts could be resumed.'

<sup>4</sup> i.e. at the third meeting of the Non-Russian Sub-Commission on Debts with the Russian Commission on July 7 at 11 a.m. (see *Hague Conference*, pp. 279-86).

<sup>5</sup> Hague Conference Bulletin transmitted in despatch No. 42 from the British Delegation (N6656/646/38), not printed.

revenue was coming up to expectations, that the crops this year would be such that if nothing unforeseen occurred it might be possible to commence the export of grain; in short, that the general condition of Russia and Russian finances was steadily improving. He pointed out, however, that even so there could be no question as to the state of Russian finances permitting her to resume the service of her debt in the very near future. He concluded by pointing out that the Soviet Government was being reproached for not honouring the previous obligations of the Czar's government. The Soviet Government did not consider itself bound by the Czarist Government but it did consider itself bound by a pledge which it had given to its own people that it would not recognise the liabilities of the Czarist Government. This pledge could not be altered without the consent of the people. Recognition of debts was impossible at the moment, not only from Communist principles but also on account of the state of Russian finances and popular sentiment. Recognition of debts could, however, be granted if (1) there was an agreement which would give advantages to the Soviet Government in the reconstruction of Russia, and (2) if there was a moratorium until Russia was really in a position to pay. Considerable discussion followed on possible machinery for fixing the moratorium, and other questions connected with the resumption of the service of the Russian debt, always on the hypothesis that debts had been recognised.<sup>6</sup> From this discussion it appeared that the Russians, while willing in theory to admit the possibility of settling these and similar details by a mixed arbitral tribunal or other independent authority, felt that in practice this was hardly a feasible solution since it would be wellnigh impossible to find an independent authority, because everyone belonged either to the Soviet world or to the non-Soviet world. M. Litvinoff did, however, at one point express the hope that after the question had been studied for some time a rapprochement would take place which would enable the outstanding points to be left to an agreed arbiter.

In the course of the discussion M. Litvinoff proposed that this Commission should endeavour to arrive at some sort of global figure of Russian indebtedness, an agreed proportion of which would be admitted by the Russian Government and the exact allocation of which would be left to the decision of a tribunal which should adjudicate upon claims and which should be set up by the Non-Russian Governments. He claimed that this procedure would avoid the very great difficulties attendant upon the work of a mixed commission.

The question of leaving an option to the bondholders themselves to enter

<sup>6</sup> In their telegram No 55 of July 11 (see n. 3), the British Delegation reported a meeting of the Non-Russian Sub-Commission on Debts held that morning as follows:

'The meeting was of opinion that, after a full recognition of the Russian debt, three courses would be open to foreign bondholders:—

- i) to content themselves with the bare recognition.
- ii) acting in groups, to make terms direct with the Soviet Government.
- iii) acting in groups, to submit their claims to some tribunal, whose ruling both they and the Soviet Government would pledge themselves to accept.'

into direct negotiation with the Soviet Government was also discussed. M. Litvinoff was a little vague on this point. He did not apparently wish to reject the idea in toto, but thought it had been precluded by the action of the Non-Russian Governments themselves in interfering between the holders of Russian bonds and the Soviet Government.

M. Litvinoff also referred on two or three occasions to the impossibility of the Russian Government recognising debts on which it could not even pay the interest; although other Governments had done this the Soviet Government was not prepared to do so. Until, therefore, they knew what credits they were going to get they could not know what they could pay.

At one stage of the proceedings Mr. Anderson [*sic*]<sup>7</sup> intervened, pointing out the advantages which would accrue to Russia if it accepted an international commission similar to the Ottoman Debt Commission,<sup>8</sup> and he drew a picture of Turkish prosperity which provoked M. Litvinoff to the statement that Russia had fought for three years and spent much blood and treasure to avoid being reduced to the state of Turkey, and if necessary it would fight for another three years for the same purpose. In spite of an attempt by Commander Hilton Young to define the issues, in the course of which he pointed out the unsatisfactory nature of the Russian proposal for a global settlement which would be purely arbitrary and which would not be based on facts or on reason, the meeting terminated in a more or less inconclusive fashion.

<sup>7</sup> The reference is to M. P. O. A. Andersen, Director of the Danish Department of Public Debt, and Vice-President of the Committee for the Examination of the Claims of Danish Subjects against Russia.

<sup>8</sup> This institution, representing the holders of Turkish bonds, was created by the Decree of Mouharrem of December 20, 1881. It was given the right to collect and administer certain revenues of the Ottoman State.

## No. 188

*Sir C. Marling (The Hague) to the Earl of Balfour*  
(Received July 13, 8 p.m.)

*No. 38 Telegraphic [N6733/646/38]*

THE HAGUE, July 13, 1922, 5.35 p.m.

Following from Sir P. Lloyd-Greame:—

‘French, Italians, Belgians and Netherlands are pressing very strongly that conference should make recommendation that Governments should not support their nationals in attempts to acquire property in Russia previously belonging to foreign nationals without the assent of such foreign nationals. They limit recommendation to active assistance by foreign Governments. They appreciate and accept that no Government can be expected to prohibit its nationals from taking concessions of other people’s property in Russia, but they contend that Governments should not give them active assistance in so doing, and that if, at a later stage, Russian Government agrees to restore

property, foreign Governments should not uphold their nationals' claims to retain property which had previously belonged to other foreign nationals. They argue very strongly that if we were prepared to accept this at Genoa<sup>1</sup> we ought to accept it now, and that refusal to accept such a recommendation is a negation of claims to restitution or compensation which we are making now and shall continue to maintain *vis-à-vis* Russian Government. The delegations who have urged this view will probably be supported by most, if not all, of other delegations. It is impossible to dispute reasonableness of such a line of policy. The only course we can take, if it is to be opposed, is to base our objection on the ground that in the now probable event of conference arriving at no settlement it is outside our powers to make a recommendation as to future policy. On the other hand, if, as seems certain, other delegations press for inclusion of this recommendation, our refusal on technical grounds will be difficult to justify against opinion of . . .<sup>2</sup> this question of our powers, and will be represented as objection on merits inspired by ulterior motive. We have not lost sight of fact that difficulties may arise if concessions of foreign property are offered to Americans or to Germans, and that in such case the only means a British national might have of protecting his property is to accept proposed concession, including some of property of another national. In practice, however, British national would probably be able to make a reasonable arrangement with other foreign national to stand in on a concession, and in exceptional cases where this was not possible he would probably take the risk.

'We are satisfied that if we are free to make such a recommendation on its merit we ought to do so and practical difficulties would not be likely to arise.

'Matter is very urgent, as we shall almost certainly have to take a decision on or before Monday.'<sup>3</sup>

<sup>1</sup> Cf. No. 132, Annex.

<sup>2</sup> The text is here uncertain.

<sup>3</sup> i.e. July 17.

## No. 189

*British Delegation (The Hague) to the Earl of Balfour (Received July 14)*<sup>1</sup>  
*No. 60 Telegraphic: by bag [N6760/646/38]*

THE HAGUE, July 13, 1922

A meeting of the Standing Orders Committee was held this morning, at which all the members unanimously agreed that it would be impossible to continue the negotiations on the Property Sub-Commission.

Following upon this, the Non-Russian Sub-Commission on Private Property met<sup>2</sup> to consider the results of yesterday's meeting.<sup>3</sup> Sir Philip Lloyd-Greame pointed out that it was quite clear that the Russian Government did not intend either to restore property or to compensate previous owners and more than that, it intended to retain the greater portion of Russian industries

<sup>1</sup> The time of receipt of this telegram is not recorded.

<sup>2</sup> See *Hague Conference*, pp. 133-7.

<sup>3</sup> See No. 186.

in the hands of the State. In such circumstances, discussion of the conditions on which concessions could be granted could be of no value and he therefore proposed a resolution to the effect that it was useless to hold any further meetings of this Sub-Commission with the Russian Delegation.

M. Denichert (Switzerland) supported by Dr. Giannini (Italy) urged that the final decision should not be taken until the agreed *procès-verbal* of the meeting was in the hands of the Sub-Commission. They agreed, however, that so far as could humanly be foreseen, the final result would be the same. M. Cattier and others strongly supported the President's proposal, and it was pointed out not only that M. Litvinoff had already agreed to the official communiqué, which contained statements sufficient to justify the proposed resolution, but the *procès-verbal* which was before the Sub-Commission was in effect a shorthand note. Dr. Giannini remained unconvinced, but did not oppose the resolution, as they desired to preserve a common front.

The resolution was finally approved as follows:

'The First Non-Russian Sub-Commission, having considered the statements made by the Russian Delegation at the meeting of the First Sub-Commission yesterday has decided that in view of these statements no useful purpose would be served by continuing the meetings of that Sub-Commission with the Russian Commission. The First Sub-Commission will report to this effect to the full Commission.'

On the proposal of M. Cattier, Sir Philip Lloyd-Greame was entrusted with the task of drawing up the report of the First Sub-Commission, which would be considered at its next meeting on Monday.<sup>4</sup>

<sup>4</sup> July 17.

## No. 190

*British Delegation (The Hague) to the Earl of Balfour (Received July 14)*<sup>1</sup>  
*No. 61 Telegraphic: by bag [N6761/646/38]*

THE HAGUE, July 13, 1922

The Non-Russian Sub-Commission on Credits met this afternoon.<sup>2</sup>

Baron Romano Avezana recalled the proceedings on the First Sub-Commission yesterday,<sup>3</sup> which he said clearly demonstrated that the Russians were not prepared to create conditions in which confidence could be restored and it was therefore useless to discuss credits for Russia any further. He thought, however, that it would be advisable not to communicate this in writing to the Russians, but to have another meeting with them, since there were certain statements of M. Krassin and M. Litvinoff, which required an answer. This course was unanimously agreed to.

<sup>1</sup> The time of receipt of this telegram is not recorded.

<sup>2</sup> See *Hague Conference*, pp. 391-3.

<sup>3</sup> See No. 186.



M.[de] Chevilly pointed out that it might be advisable to refer to the Russian proposal made at the Debts Commission yesterday afternoon<sup>4</sup> for a global settlement, as he did not wish the Russians to be able to say that they had put forward proposals, which were taken no notice of. The President agreed to refer to it *en passant* with the observation that it was not worth while considering such proposals, while the main questions were unsettled.

M. Pusta (Esthonia) suggested that it might be advisable to give the Russians some outline of what we were prepared to do for them, if they agreed to the necessary conditions, but after some discussion, it was agreed that it was sufficient for the President to restate the willingness of the European powers to come to the assistance of Russia, as soon as Russia herself made it possible to give effective help.

The meeting of this Sub-Commission with the Russians will take place at 10.30 a.m. to-morrow, July 14th.<sup>5</sup>

<sup>4</sup> See No. 187.

<sup>5</sup> See No. 191, below.

### No. 191

*British Delegation (The Hague) to the Earl of Balfour (Received July 17)*<sup>1</sup>  
*No. 65 telegraphic: by bag [N6788/646/38]*

THE HAGUE, July 14, 1922

The final meeting of the Non-Russian Sub-Commission on credits met the Russian Commission this morning.<sup>2</sup>

Baron Avezzana opened the proceedings by stating that the Non-Russian Sub-Commission had met yesterday<sup>3</sup> to consider the further information supplied by the Russian Commission and the questionnaire of the latter. It found itself faced with a new fact—the resolution of the 1st Sub-Commission<sup>4</sup> that it was useless for any further discussion to take place on that Committee. This decision profoundly affected the decision of this Sub-Commission, because not only was the work of all Sub-Commissions interdependent, but the proceedings of the property Sub-Commission had rendered it impossible to lay the foundations on which alone an edifice of credit could be raised. After recalling the conditions in which alone capital could be raised, he said the Sub-Commission was not imposing a judgment, it was recording a fact.

He continued by saying that this meeting had been summoned in order, in justice to themselves and to the Russian Commission, to answer two points upon which the latter had insisted. He referred to their claims (i) that the problem was essentially an inter-governmental one and (ii) that credits should be given to the Russian Government alone, both of which showed a profound misconception of the realities of the situation. The Non-Russian Sub-Commission was giving this explanation in the hope that at a future

<sup>1</sup> The time of receipt of this telegram is not recorded.

<sup>2</sup> See *Hague Conference*, pp. 394-405.

<sup>3</sup> See No. 190.

<sup>4</sup> See No. 189.

date fresh negotiations would take place freed from some of the obstacles which had led to the termination of the present Conference.

Commander Hilton Young then made a statement<sup>5</sup> of the views of the British Delegation on the problem of credits for Russia, not because he was not in complete agreement with the President, but because of the special position of Great Britain in this question.

Accepting the Russian figures as to their needs and also their plan for distribution of the credits, there still remained a profound misconception of present facts and future possibilities, so profound as to render further discussion of the problem useless. He emphasized that the ultimate provider of capital was the private investor, that Governments themselves had no money to advance to Russia and if they had it would be that of the taxpayer whose money could not properly be invested by the Government in enterprises in which he himself would not invest on his own account.

Governments could help Russia to find credits by giving facilities which would encourage their nationals to interest themselves in Russian reconstruction. But even if Governments could thus open the door they could not compel anyone to go through it. Even the formal extension of the existing British facilities would only remain a formality as long as the Russian Government maintained its present attitude towards its obligations to foreigners. The idea of there being a financial blockade of Russia by order or desire of foreign Governments was a complete illusion, the Russian Government could not obtain money or credits because it itself refused to restore the basis of credit.

Dealing with the question of credits being made to the Russian Government itself, he pointed out that long term credits for such objects as industrial or agricultural enterprises could only be arranged on terms which gave the investor a reasonable share in the control and management of the enterprise. They had no confidence at present in the business efficiency of the Russian Government, and even the recognition of its obligations by that Government would not overcome this practical obstacle to the granting of credits. The same was true of short term credits for manufactured goods as for example in the case of agricultural machinery—investors would have more confidence in the peasant if his right to the free disposal of his produce were restored than in the Russian Government.

In conclusion he emphasized the desire of the Non-Russian powers to arrive at a settlement both in the interests of the Russian people and of their own nationals, and expressed the hope that sooner or later the remaining obstacles to this settlement would be removed.

M. Krassin then briefly explained that only the Russian Government could successfully organise the improvements necessary in Russian agriculture and it was therefore the Russian Government and not the peasant who required the credits. He had never said that private credit was not wanted as well.

<sup>5</sup> Commander Hilton Young's speech is printed in Cmd. 1724 (1922), *Papers Relating to the Hague Conference, June-July, 1922*, pp. 15-18.

M. Litvinoff then made a very long statement in which he reviewed the whole work of the Hague Commissions and contrasted this Conference with that of Genoa.<sup>6</sup> He said that the Russian Delegation had worked in a spirit of complete conciliation and co-operation, it had given all the information possible that had been asked of it, even though some of this information had appeared to it irrelevant to the work of the Sub-Commissions. The Russian Government had modified its view since Genoa—it was now prepared to discuss compensation for private property which had been nationalised, though it could not say *how* it could compensate till it knew what help it would be given. It no longer asked for Government loans and had made proposals which would not put any further burden on the taxpayers. He referred to the interests of manufacturers and the unemployed in opening up the Russian market, and said that he was not surprised that these people had no confidence in the Russian Government since their minds had been continuously poisoned with false information about Russia spread with the connivance and sometimes active assistance of non-Russian Governments. He asked whether anyone could in fairness say that the non-Russian powers had modified their attitude at any single point. He indeed thought that they had gone back on undertakings given at Genoa, notably on the question of private property. At Genoa compensation had been demanded,<sup>7</sup> but not restitution and even in the interim between the two conferences, the British Government in a Note to the French Government<sup>8</sup> had formally recognised the right of Russia to nationalise property. It was true that some governments had been good enough to disguise their demand for restitution by asking for compensation in the form of restitution.

He said that this Conference had not been conducted in the same conciliatory spirit as Genoa. Proposals made by the Russian Commission had not even been considered by the Non-Russian Commission and the latter had certainly not explored every possible avenue. He complained that the Non-Russian Commission had never let the Russian Commission know its demands. He thought both sides should formulate their demands, modify them within the limits of their instructions by agreement and then state clearly what differences remained over.

At this point, the President intervened, requesting M. Litvinoff to confine himself to general statements, as if he was going to introduce any new facts, or new proposals, they ought to be made to the competent Sub-Commission. He added the door was still open to any new facts or fresh proposals, which the Russians might care to make. M. Litvinoff replied that he was not stating new facts and he had no new proposals, but he was merely summing up the situation. He continued by referring to the position of credits in relation to Russia's capacity to undertake new obligations and in relation to Russian counter claims. He gave reasons why credits should be granted to the Russian Government and said that it was only on that condition that credits were being discussed at The Hague. The lesson of the Conference

<sup>6</sup> See Chapter III.

<sup>8</sup> See No. 148, Enclosure.

<sup>7</sup> Cf. No. 74, Appendix.

was that there was an example of how conferences should not be run and of what methods were unsuitable for these discussions.

Commander Hilton Young replied that M. Litvinoff's statements that non-Russian governments had gone back on undertakings given at Genoa and that this conference had been conducted in a less conciliatory manner than that at Genoa were positive travesties of the facts. It was common knowledge that certain governments had set aside for the time-being certain vital principles to which they attached the utmost importance, in order that, if possible, a practical solution could be reached here and he desired to pay homage to the patience and loyalty with which these governments, through their experts, had carried out that undertaking. It was common knowledge that many governments had made great concessions in principle to those which they had originally maintained at Genoa. The facts would speak for themselves, irrespective of the interpretation which either side might put on them. The lesson of the Conference was that it was as difficult and impossible to meet the Russian point of view on the practical plane at the Hague, as it had been difficult and impossible to meet them on the political plane at Genoa. He concluded by endorsing the President's remark that the door was still open, if there were any fresh proposals which might even yet enable an advance to be made.

M. Litvinoff justified his previous criticisms by the fact that he had never had occasion to refer to Moscow for instructions; he also complained that the Press had falsified the proceedings of the Conference and asked that the full Minutes of the meetings should be made public.

The President pointed out that agreed communiqués had been issued and went on to emphasize the necessity of an investor having some share in the control of the money which he invested, to which M. Litvinoff asked whether he was to understand that credits could only be given in cases where control of the money was possible and he went on to say that the Russian Delegation were ready to waive all questions of credits, but in that case, the new discussions would have to start on the question of the claims and liabilities of both sides.

In conclusion, the President stated that the Non-Russian Sub-Commission would report the facts to the full Commission, upon which M. Litvinoff asked whether the Russians would have to wait for this meeting, to which the President replied that it was not a question which he could answer. He then announced that the meeting was terminated.<sup>9</sup>

<sup>9</sup> In his telegram No. 64 of July 14, despatched at 2.4 p.m., Sir P. Lloyd Greame reported as follows: 'The conference may now be considered to have definitely broken down. In reply to Baron Avezzan[a]'s statement in the course of this morning's meeting, that the door was still open to new facts or fresh proposals, M. Litvinoff declared that he had no new facts or fresh proposals to bring forward.'

*British Delegation (The Hague) to the Earl of Balfour (Received July 17)*<sup>1</sup>  
*No. 66 Telegraphic: by bag [N6789/646/38]*

THE HAGUE, July 14, 1922

The Non-Russian Sub-Commission on Debts met this afternoon<sup>2</sup> to consider the question of continuing its meetings with the Russians.

Although everybody was agreed that it was quite useless to continue these meetings there was considerable difficulty in arriving at an agreement on the precise form in which this information should be communicated to the Russian Commission. The President proposed a Resolution to the effect that since the First and Third Sub-Commissions had discontinued their work<sup>3</sup> it was useless for this Sub-Commission to continue. He proposed that this Resolution should be communicated to the Russians by the intermediary of the Secretariat-General. Various amendments were proposed. The Swiss Delegate supported by the Italian and Belgian Delegate[s] thought that some reference should be made to the last Russian proposition for a global settlement of debts and claims which had not been discussed. The Swiss and Italian Delegates thought the communication whatever it was should be made through the President of the Conference, and only after a meeting of the Standing Orders Committee of the Commission who could draw up a reasoned reply to the last Russian proposal.

Finally, Sir Sydney Chapman's proposal was accepted, namely, that the Resolution should be communicated direct to the Russians through the Secretariat; that it should contain a simple statement to the effect that in view of the present situation of the Conference the Sub-Commission on Debts considered it inopportune to continue its discussions with the Russian Commission; and that the reasons which made the last Russian proposal<sup>4</sup> unacceptable should be embodied in the Reports of the First and Second Sub-Commissions. His additional proposition was also agreed to, namely that if the Russians should ask for a further meeting to discuss their last proposition and give good reasons, it would probably be inadvisable to refuse to hear them. But it was thought that no definite decision need be taken until they actually asked.

<sup>1</sup> The time of receipt of this telegram is not recorded.

<sup>2</sup> See *Hague Conference*, pp. 325-30.

<sup>3</sup> See No. 189 and No. 191.

<sup>4</sup> See No. 187.

*British Delegation (The Hague) to the Earl of Balfour (Received July 15)*<sup>1</sup>  
*No. 67 Telegraphic: by bag [N6787/646/38]*

THE HAGUE, July 15, 1922

The position now is that the Presidents of all three Sub-Commissions are engaged in drawing up their reports.<sup>2</sup> These will be probably ready on Sunday<sup>3</sup> and discussed by the various Sub-Commissions on Monday.<sup>4</sup> They will be printed on Monday evening, distributed on Tuesday for the consideration of the various Powers not represented on the respective Sub-Commissions, and the final plenary session of the Non-Russian Commission will be held on Wednesday.<sup>5</sup>

It is understood that the Russian Delegation will probably leave tomorrow, but we are without definite information on this point at present.<sup>6</sup>

<sup>1</sup> The time of receipt of this telegram is not recorded.

<sup>2</sup> These reports and the report of the Non-Russian Commission are published in Cmd. 1724 (1922) op. cit., and in *Hague Conference*, pp. 436-9. The draft report of the First Non-Russian Sub-Commission (Private Property), transmitted to the Foreign Office by the British Delegation in H.C.B. No. 55 of July 15 (N6860/646/38), concluded as follows: 'Upon the facts before us we are convinced that in spite of all the practical efforts which have been made to attain a solution, no arrangement is possible at the present time. We regret profoundly that we are driven to report in this sense. We regret that our deliberations have failed to achieve an agreement; but we feel that, in spite of our failure, inevitable in view of the attitude of the Russian Government, this Conference has been of value, in that it has enabled us to establish clearly and plainly the facts and the reasons why it is impossible to arrive at an arrangement. . . .'

<sup>3</sup> July 16.

<sup>4</sup> July 17; in telegram No. 81 of July 17 (N6896/646/38), the British Delegation reported as follows: 'All three Sub-Commissions have adopted provisionally, and ad interim, the reports which had been drafted by their respective Presidents.'

'On the Private Property Sub-Commission, the British draft was accepted in toto with one or two small amendments of detail, most of which were proposed by Sir P. Lloyd-Greame himself.'

'On the Debts Sub-Commission the British put forward one or two amendments of substance to the French draft which were accepted, but both the original French draft and the text as approved will appear in the minutes of the meeting at the request of the President.'

'On the credits Sub-Commission, the report which had been prepared by the Italians with some modification by us was adopted without modification. . . .'

<sup>5</sup> July 19.

<sup>6</sup> In his telegram No. 68 of July 15, 11.0 a.m. (N6786/646/38), Sir P. Lloyd-Greame reported as follows: 'Our telegram 67.'

'Last night Russian delegation informed press that they would await plenary meeting. We are informed that up to a late hour last night no arrangements had been made for their departure.'

No. 194

*The Earl of Balfour to Sir C. Marling (The Hague)*

*No. 43 Telegraphic [N6733/646/38]*

*Urgent*

FOREIGN OFFICE, *July 15, 1922, 6.5 p.m.*

Your telegram No. 38.<sup>1</sup>

Following for Sir P. Lloyd-Greame:—

Conference, as you are aware, is empowered only to make recommendation and not to take decisions. This was agreed to in deference to the express wishes of M. Poincaré.<sup>2</sup>

Accordingly you are authorised to adhere to the joint recommendation proposed by your French, Belgian and other colleagues, provided that it is understood that the same recommendation will subsequently be made by the governments represented at The Hague to all governments not represented including the United States government and the German government and that no decision will be come to except jointly with those governments.

I suggest that phrasing of recommendation reported by you, i.e., 'acquiring property in Russia previously belonging to foreign nationals' is too wide, and should be narrowed down to some such expression as 'property confiscated in Russia since November 1st. 1917'.

<sup>1</sup> No. 188.

<sup>2</sup> See No. 148, Enclosure.

No. 195

*The Earl of Balfour to Sir C. Marling (The Hague)*

*No. 44 Telegraphic [N6733/646/38]*

FOREIGN OFFICE, *July 15, 1922, 6.40 p.m.*

My telegram No. 43.<sup>1</sup>

Following for Sir P. Lloyd-Greame:—

I have no intention of qualifying the instructions sent to you in my immediately preceding telegram, but you have, in the general consideration of the problem, doubtless imagined a case in which a large concession was proposed to be granted, say, to a British firm which included some minor concession previously granted to other nationals and confiscated by the Soviet government. It might be equitable to give power to the new concessionnaire to buy out the old ones on equitable terms rather than to allow the latter to bar an enterprise of general advantage, but this is a matter involving more difficulty and perhaps the settlement in each particulars [*sic*] case should be left to the parties concerned.

<sup>1</sup> No. 194.

*British Delegation (The Hague) to the Earl of Balfour (Received July 17)<sup>1</sup>*  
*No. 71 Telegraphic: by bag [N6824/646/38]*

THE HAGUE, July 15, 1922

At a meeting of the Standing Orders Committee this morning M. Alphand suggested that the following proposals should be considered and adopted at the approaching final plenary session of the Conference:—

(a) that steps should be taken by the various governments more precisely to determine the amounts of claims in respect of properties and other debts and to establish common principles as to their basis;

(b) that recommendations should be made to the various governments to renew in effect clause six of the Minutes of Meeting at the Villa d'Albertis on May 14th last.<sup>2</sup>

We resisted both these proposals, as to (b) for the reason stated in our previous telegram of . . .<sup>3</sup> and as to (a) on the ground that although it was desirable that this work should be undertaken it was not a matter in which governments should take the initiative but should be left to the voluntary organisations of the claimants. It was agreed that in view of our objections it would be difficult to proceed with these proposals, and we have probably heard the last of them.

It was further agreed, at our suggestion, that the Conference should not close without the formal extension to the Russian Delegation of an opportunity to bring forward any fresh consideration or new offer in relation to those matters on which we have come to a deadlock. For this purpose the President when writing to-day to the Russian Delegation<sup>4</sup> for the purpose of communicating to them the decision of the Sub-Commission on Debts that in view of the situation arrived at on the Sub-Commission on Properties there can be no advantage in further deliberations by the Sub-Commission on Debts, will refer to the declaration made yesterday by the President of the Sub-Commission on Credits at the last joint sitting with the Russian Delegation<sup>5</sup> that, if M. Litvinoff wished to make a statement modifying his previous declarations, the other Sub-Commissions would no doubt take the statement into account, and that the door was not yet closed for further negotiations, and will add that this declaration should be taken to express the point of view [of] the Non-Russian Commission on all three Sub-Commissions.

There is as yet no indication either official or unofficial that the Russian Delegation have any new considerations to advance or concessions to make. In various interviews and informal conversations they have shown the anxiety

<sup>1</sup> The time of receipt of this telegram is not recorded.

<sup>2</sup> See No. 132, Annex.

<sup>3</sup> The text is here uncertain. The reference is to No. 188.

<sup>4</sup> A copy of the President's letter to M. Litvinoff of July 15 (not printed) was transmitted to the Foreign Office by the British Delegation in H.C.B. No. 56 of July 16 (N6921/646/38); for the text of this letter, see *Hague Conference*, p. 453.

<sup>5</sup> See No. 191.



which might be expected to conceal their refusal to make any advance towards a reasonable settlement on the matter of properties, or even to discuss such a settlement, by diverting attention to matters which are of secondary and consequential importance only. There is no official indication at present of any intention on their part to modify the attitude which is bringing the Conference to an end, viz. that they refuse to give any firm undertaking as regards the return of any properties, although it is plain that the restoration of possession in one form or another is the only effective compensation they can make. Moreover, the fact that Krassin appeared anxious to precipitate this issue at the last meeting makes it probable that they had come to a definite decision but we have learnt indirectly that some proposal may yet be made by them.

No. 197

*The Earl of Balfour to Baron Moncheur*<sup>1</sup>

[N6889/646/38]

FOREIGN OFFICE, July 17, 1922

Your Excellency,

I have considered the memorandum<sup>2</sup> which you handed to Sir E. Crowe this morning, stating that Monsieur Cattier has proposed that the Non-Russian delegations at The Hague should jointly recommend to their governments that each of them should neither recognise nor support any concession or application for a concession by the Russian Soviet government in respect of property which had been confiscated from nationals of a foreign government. The Belgian government requests that Sir P. Lloyd-Greame may be instructed to support Monsieur Cattier's proposal.

2. I have the honour to inform your Excellency that I have also received from Sir P. Lloyd-Greame a telegram<sup>3</sup> reporting a proposal put forward by his French, Belgian, Italian and Netherlands colleagues which I assume to be the same as that now communicated by your Excellency.

3. In reply,<sup>4</sup> I have drawn Sir P. Lloyd-Greame's attention to the fact that the conference at The Hague is empowered only to make recommendations and not to take decisions, and I have authorised him to adhere to the joint recommendation proposed by his colleagues, provided that it is understood that the same recommendation will subsequently be made by the governments represented at The Hague to all governments not represented, including the United States government and the German government, and that no decision will be come to except jointly with those governments.

I have, etc.,

J. D. GREGORY

(for the Earl of Balfour)

<sup>1</sup> Belgian Ambassador in London.

<sup>3</sup> See No. 188.

<sup>2</sup> Not printed.

<sup>4</sup> See Nos. 194 and 195.

*British Delegation (The Hague) to the Earl of Balfour (Received July 18)*<sup>1</sup>  
*No. 82 Telegraphic: by bag [N6897/646/38]*

THE HAGUE, *July 17, 1922*

After receipt of the Russian letter<sup>2</sup> this morning, the Sub-Commissions adjourned until 4 o'clock this afternoon. In the meantime a long discussion took place on the Presidents' Bureau, those present being the President, Monsieur Patijn, the British, French, Belgian and Italian Delegates. The French were very restive and argued that the Russian letter contained no new proposals and that no meeting ought to be held. The British delegates strongly opposed this, and contended that the letter ought not to be read in too analytical a manner. Whatever the precise meaning and intention of the Russians might be, the letter clearly expressed a desire for a further meeting. This desire ought certainly to be met, and it would be the greatest mistake in tactics, if nothing more, to refuse a meeting. If in fact a meeting showed that the Russians had no new proposals to advance the position would have been made clear and the Russians would have put themselves definitely and finally in the wrong. If, on the other hand, they had new proposals to make, it was clearly our duty to consider them in the same practical manner in which we had dealt with their former proposals. Whichever was the fact we should put ourselves in an utterly false position by refusing a meeting. The ground had been so completely cleared both on the Property and Credits Sub-Commissions that no time could be wasted, and any proposals could be dealt with promptly and practically. The Belgians, though very definitely of opinion that the letter contained no advance on the previous position, declared themselves ultimately in favour of a meeting, but insisted that the meeting should be held immediately and the issues faced fairly and squarely. The French then agreed to a meeting being held. They favoured a meeting between the Chairmen, and proposed that, if they were not satisfied that there were definite new proposals, there should be no further meeting with any of the Sub-Commissions. The British Delegation opposed this, and proposed that the meeting should be held with the Property Sub-Commission. The Presidents' Bureau had no authority from the Conference to take any executive action; and there would be great resentment if the Bureau assumed powers which the Conference had delegated to its Sub-Commissions. Even if the Bureau had the power, the meeting with the Bureau would tend to be in the nature of a general discussion and not confined to precise and clear points. So far as new proposals were foreshadowed in the letter they clearly related to the Property Sub-Commission, and that was the appropriate body

<sup>1</sup> The time of receipt of this telegram is not recorded.

<sup>2</sup> Of July 16, not printed: see *The Times*, July 18, 1922, p. 9 and *Hague Conference*, pp. 454-5; the text of the Russian letter was transmitted to the Foreign Office by the British Delegation in H.C.B. No. 58A of July 18 (N6959/646/38), and a translation in H.C.B. No. 58 of July 17 (N6923/646/38).

to deal with them. This proposal was ultimately agreed to, and the President was asked to communicate this decision to the Russians and invite them to meet the Property Sub-Commission tomorrow.

The Italians, French and Belgians insisted that the Sub-Commissions should conclude their consideration of the Reports<sup>3</sup> which were now before them and present them to the Plenary Commission. Feeling was clearly strong on this, and we compromised on settling the Reports as Interim Reports<sup>4</sup> which should not be considered by the Plenary Commission until they had been reviewed by the Sub-Commissions in the light of the further meeting with the Russians.

The French Delegates are very much opposed to any further meetings with the Russians. They are terrified of what will be said by their Press and their Government. They said that, if they had communicated the Russian letter to their Government, they would have been ordered to return at once and under no consideration to meet the Russians again. The Belgians are very sceptical and will not agree to further meetings after tomorrow unless the Russians have definite proposals. The atmosphere of the Conference is very unfavourable to any attempts at procrastination.

<sup>3</sup> See No. 193, n. 2.

<sup>4</sup> See *ibid.*, n. 4.

## No. 199

*British Delegation (The Hague) to the Earl of Balfour (Received July 19)*<sup>1</sup>  
*No. 85 Telegraphic: by bag [N6950/646/38]*

THE HAGUE, July 18, 1922

At the meeting of the first Sub-Commission<sup>2</sup> this morning<sup>3</sup> on receipt of the Russian letter<sup>4</sup> the President said that the letter could only be dealt with by a Plenary Session, and proposed that the Sub-Commission should adjourn, pending a Plenary Session in the afternoon. The French Delegate proposed that the Sub-Commission should pass a resolution, formally submitting their interim report<sup>5</sup> to the Plenary Commission. The President pointed out that such a resolution would have no practical value, as it would be competent to the Plenary Commission to call for and discuss the reports of the Sub-Commissions<sup>6</sup> at the afternoon session if they so desired, and that such a resolution would have the appearance of pre-judging the decision of the Commission on the Russian letter. Several other members adopted the same point of view, and the French Delegate withdrew his proposal.

<sup>1</sup> The time of receipt of this telegram is not recorded.

<sup>2</sup> i.e. the Private Property Sub-Commission.

<sup>3</sup> See *Hague Conference*, pp. 147-53.

<sup>4</sup> The reference is to a further Russian letter (cf. No. 198, n. 2), dated July 18, not printed. For the text, see *Hague Conference*, pp. 152-3. A translation of the Russian letter was transmitted to the Foreign Office by the British Delegation in H.C.B. No. 61 of July 18 (N6962/646/38).

<sup>5</sup> See No. 193, n. 4.

<sup>6</sup> See *ibid.*, n. 2.

A meeting of the Bureau was held in the afternoon prior to the Plenary Session, at which the President, Monsieur Patijn, and the British, French, Belgian, Italian and Japanese Delegates were present. The President asked the views of the Delegations on the Russian proposal. Monsieur Cattier was strongly opposed to meeting the Russians again. He said that as the Russians had not accepted the invitation to come to the Property Commission, it was unnecessary and dangerous to give them an opportunity of coming to a Plenary Session. If they came they would engage in long general discussions and the whole work of the Conference might be begun again.

The British Delegate opposed this view. If we were right in deciding to meet the Russians yesterday, we could not be wrong in deciding to meet them to-day. The arguments which had convinced us yesterday (see my telegram 82)<sup>7</sup> must be equally convincing to-day. It would be impossible to justify a refusal based on a technical ground, and the British Delegation was convinced that the general feeling of the Conference was strongly in favour of a meeting. There should be little difficulty in confining the meeting to a discussion of any new facts or proposals. If that had been possible on the Sub-Commission, it was equally possible on the full Commission. If the Russians had in fact no new proposals to make, the position would be clear, and public opinion would be definitely and finally against the Russians. If they had new proposals, it was our duty to consider them.

The French Delegation strenuously opposed any further meetings. They said they had wanted to break a week ago, and stated (which was quite untrue) that they had then been given to understand that the Conference could only have one or two more meetings. It was pointed out to them that if they had given their adherence to a meeting yesterday, they could hardly justify a refusal to-day. The Italian Delegation supported the British view. The Japanese attitude was non-committal. The President supported the British view. M. Cattier then entirely changed his attitude. He said that the Russians were trying to break a united front, and that it would be profoundly unfortunate if this were done on a point of procedure. He therefore proposed that the Russians should be invited to a Plenary Session, but that the invitation should state plainly that the Plenary Commission would only consider new proposals. This was a complete acceptance of the British point of view and was at once accepted by the British Delegation. The French eventually agreed, and expressed the fervent hope that this would be the very last meeting. Monsieur Cattier then offered to propose the necessary resolution to the Commission.

<sup>7</sup> No. 198.

No. 200

*British Delegation (The Hague) to the Earl of Balfour (Received July 19)*<sup>1</sup>  
*No. 86 Telegraphic: by bag [N6951/646/38]*

THE HAGUE, July 18, 1922

We have been in constant touch with the Russian Delegation. Last night and this morning they appeared determined not to make any real proposals. Later there were indications that they would make proposals on debts and compensation, but further conversation [showed] that the proposals were illusory. They have shuffled so much that it is impossible to judge whether they intend to make any real change of front.

<sup>1</sup> The time of receipt of this telegram is not recorded.

No. 201

*Mr. Knatchbull-Hugessen*<sup>1</sup> (*The Hague*) to the Earl of Balfour  
(*Received July 18, 6.20 p.m.*)  
*No. 45 Telegraphic [N6935/646/38]*

*Very urgent*

THE HAGUE, July 18, 1922, 5.57 p.m.

Following from Sir P. Lloyd-Greame.

My telegram No. 84.<sup>2</sup>

At this afternoon's plenary meeting<sup>3</sup> decision to meet Russians at joint plenary meeting tomorrow to hear any new proposals they might wish to put forward was carried unanimously.

Formal declaration proposing this course was read on behalf of all border states, Serbia, and Czechoslovakia. Proceedings of bureau by bag.<sup>4</sup>

<sup>1</sup> First Secretary in H.M. Embassy at The Hague.

<sup>2</sup> Of July 18. This ran: Following from Sir P. Lloyd-Greame No. 44 (sic).

<sup>3</sup> 'Russians did not attend this morning's meeting but sent a letter [see No. 199, n. 4] asking for plenary meeting alleging that subjects for discussion affected all three sub-commissions. This letter will be discussed at a plenary session of non-Russian commission at 4 p.m. this afternoon.'

<sup>4</sup> See *Hague Conference*, pp. 413-16.

<sup>4</sup> These proceedings were reported in the British Delegation's telegram No. 85 of July 18 (N6950/646/38).

*Sir C. Marling (The Hague) to the Earl of Balfour*  
(Received July 19, 2.40 p.m.)

No. 46 Telegraphic [N6972/646/38]

*Most urgent*

THE HAGUE, July 19, 1922, 1.30 p.m.

Following from Sir P. Lloyd-Greame No. 87.

Following proposal was made by Russian Commission at this morning's meeting<sup>1</sup> and will be discussed by Non-Russian Commission this afternoon. Begins.

If the other delegations represented at The Hague agree to refer the proposal at the same time to their governments, the Russian delegation will at once refer to the Russian government the question whether the Russian government is prepared assuming that credits to the Russian government in the sense intended by the Russian delegation cannot be given (1) to acknowledge the debts due by the Russian government or its predecessors to foreign nationals, and (2) to agree to give effective compensation to foreigners for property previously owned by them which has been nationalised by the Russian government provided that terms of payment of the debts and terms of compensation whether in the form of concession of properties or otherwise be left to be agreed between the Russian government and the persons concerned in the course of two years.<sup>2</sup>

Ends.

<sup>1</sup> Of the Non-Russian Commission with the Russian Commission (see *Hague Conference*, pp. 419-24).

<sup>2</sup> In telegram No. 91 of July 19 (N6977/646/38), the British Delegation reported as follows: 'It was decided by the British Delegation that Sir Sydney Chapman and Mr. Urquhart should meet M. Litvinoff and M. Krassin last night informally. As a result of the conversation, it appeared that the Russian Government were unable to agree to give to previous owners the option to demand their properties back, and that they would find it impossible to state now what percentage of properties could be returned, or the conditions under which properties of different classes could be returned. It appeared, moreover, that the Russian Government could not agree to any tribunal for the assessment of claims. Eventually, however, it appeared that the Russian Government could give the undertakings which were outlined in the statement made by M. Litvinoff at the Plenary Session this morning. They were evidently most anxious that the Hague Conference should not be without results.'

'This morning M. Litvinoff and M. Krassin came to see Sir Philip Lloyd-Greame and Commander Hilton Young, and Sir Sydney Chapman and Mr. Urquhart were present. The Russian representatives repeated that they were prepared to make the statement referred to above, but they were anxious to do so in response to questions put to them. It was pointed out, however, that it would be very difficult to arrange for the statement to be elicited in this way, and eventually the Russian representatives agreed to embody the proposal in a comprehensive statement relating to the present position of the negotiations.'

In his telegram No. 88 (Hague telegram No. 47) of July 19 (N6971/646/38), Sir P. Lloyd-Greame stated: 'We believe that Russian delegation is prepared to recommend acceptance of proposal to Moscow though they have not officially said so. We called attention to fact that this is a unilateral proposal.'

*Sir C. Marling (The Hague) to the Earl of Balfour*  
(Received July 19, 9 p.m.)

No. 48 Telegraphic [N6973/646/38]

Most urgent

THE HAGUE, July 19, 1922, 6.55 p.m.

Following from Sir P. Lloyd-Greame No. 89.

Following resolution was unanimously adopted at plenary session of Non-Russian Commission<sup>1</sup> this afternoon:<sup>2</sup> 'Non-Russian committee concluding

<sup>1</sup> In his telegram No. 91 of July 19 (see No. 202, n. 2), Sir P. Lloyd-Greame reported as follows: 'After a Plenary Session, at which M. Litvinoff made his statements as telegraphed, [see No. 202] a meeting of the Standing Orders Committee was held at which were present the French, Belgian, Italian and British Delegates and the President. An agreement was arrived at without much difficulty that the suggestion of M. Litvinoff constituted an important new departure in that for the first time it contemplated the possibility of the recognition of obligations, apart from the obtaining of undertakings as to credits as a condition of credits. Throughout this discussion the strongest reluctance was expressed by the French and Belgian delegates to another adjournment or prolongation of the proceedings of the Conference. It was also agreed that M. Litvinoff's suggestion could not serve as the basis for recommendations to be made from The Hague as to an immediate agreement, but could be regarded only in the event of its acceptance by the Russian Government as a declaration of the intentions of that Government of which other Governments would take note in whatever terms they might consider expedient. . . . It became clear that it was difficult to arrive at any decision without a more precise knowledge of what was meant by the Russian Delegation when they required as a condition of submitting their suggestion to the Russian Government that other Delegations should also submit it to their own Governments. This was the point at which the discussion had arrived when the meeting was adjourned to a later hour. After lunch M. Litvinoff saw Commander Hilton Young and Sir Philip Lloyd-Greame at their request, Sir Sydney Chapman and Mr. Urquhart being present. On the question being put to him, M. Litvinoff declared that the time limit in his statement was not to be taken to mean that if they had not completed arrangements by the end of the two years their obligations would lapse. He was asked what he meant by the condition that the other Delegations should refer his proposal to their Governments, and he replied that he meant by this that they should be specifically asked whether they were prepared to accept it as a basis of agreement and to give *de jure* recognition to the Russian Government. It was pointed out to M. Litvinoff that the question of *de jure* recognition was not one on which the Hague Conference could make any recommendation whatever at the conclusion of its deliberations; and in addition it was definitely stated that the British Government's attitude on this question had already been defined. M. Litvinoff was evidently disturbed by the statements made to him on this matter, and still appeared to be confused at the points at issue, but he agreed that *de jure* recognition was not a matter for the Hague to discuss. He said that he could not forecast whether the reply of his Government would be unconditional or not, but he expected they would attach *de jure* recognition as a condition of their acceptance of the scheme outlined. He was even doubtful about referring the question to Moscow at all after what was said. It was put to him that the best course would probably be for the Hague Conference to pass a resolution noting with satisfaction the statement made by him, and declaring that it would help to restore confidence in Russia, and the proceedings at the Hague should wind up with this, and he appeared to agree that this would be the best course. We expect, however, that the question of recognition will be raised in the reply received from Moscow.

'Immediately after this interview, the sitting of the Standing Orders Committee was resumed, the same persons being present as were present at the morning sitting. A prompt

its work at point arrived at, in discussions which have taken place at The Hague with Russian committee and which are recorded in reports which have been drawn up and approved by three sub-commissions, notes with satisfaction proposal of Russian delegation to make a submission to its government in the sense contained in declaration read by M. Litvinoff at plenary meeting of July 19th.<sup>3</sup>

'The Non-Russian Commission does not find in terms of declaration itself a basis for an agreement but notes that lines of conduct indicated in declaration can, if it is accepted by Russian government and loyally carried out, contribute to restoration of confidence which is necessary for collaboration of Europe in reconstruction of Russia.

'It also notes that this declaration can help to create a favourable atmosphere for any further negotiations which may be considered expedient by the various governments.'

and unanimous decision was arrived at to adopt the recommendation of the Non-Russian Commission of a resolution proposed by the Italian delegation. (See my telegram No. 89.)'

<sup>2</sup> *Hague Conference*, pp. 427-8.

<sup>3</sup> See No. 202. The report (July 22) of the Soviet Delegation to the Council of People's Commissars is printed in English translation in *Degras*, pp. 322-7.

## No. 204

*The Earl of Balfour to Sir C. Marling (The Hague)*

*No. 50 Telegraphic [N6977/646/38]*

*Very urgent*

FOREIGN OFFICE, *July 20, 1922, 6.30 p.m.*

Following for Sir P. Lloyd-Greame:—

Foreign Office telegram No. 48<sup>1</sup> was sent before receipt of your No. 91.<sup>2</sup>

We now think that it must be left to you to decide whether anything is likely to be gained by attempting to prolong negotiations. If not your object will doubtless be to see that the speeches and resolutions of the final meeting lay the blame of failure on the proper quarter, and are couched in terms which will render a resumption of negotiations easy if and when the Soviet government see fit to change their attitude.

We understand that there has been no change in your attitude regarding the formula regarding 'restitution' and 'compensation' adopted by British government at Cannes<sup>3</sup> and Genoa<sup>4</sup> and also our Note to French Gov[ernment] of June 10.<sup>5</sup>

If final session could be postponed till Monday [July 24] without ill consequences we should be glad to consult with you immediately. But we leave this entirely in your hands.

<sup>1</sup> Of July 20. This ran: 'Please inform Commander Hilton Young and Sir P. Lloyd-Greame that Prime Minister wishes them to return immediately for consultation. He hopes they will be in London by tomorrow morning.'

<sup>2</sup> See No. 202, n. 2 and No. 203, n. 1.

<sup>4</sup> See No. 74, Appendix and No. 108, Annex II.

<sup>3</sup> See No. 6, Appendix.

<sup>5</sup> See No. 148, Enclosure.



*British Delegation (The Hague) to the Earl of Balfour (Received July 21)*

*No. 96 Telegraphic: by bag [N7029/646/38]*

THE HAGUE, July 20, 1922

My telegram No. 93.<sup>1</sup>

The resolution<sup>2</sup> adopted at the plenary session this afternoon<sup>3</sup> was substantially the draft prepared by us and agreed to at the meeting of the Standing Orders Committee yesterday.<sup>4</sup>

The original draft had been prepared in English and M. Cattier when translating it into French proposed that 'foreign owners' should be referred to instead of 'former foreign owners'. We accepted this amendment. The draft resolution had however been circulated in its original form in English, and after M. Cattier had proposed the resolution and read it in French, the President called attention to the amendments necessary in the English translation before the meeting. These were made and M. Alphand then proposed that in the beginning of the resolution where property which 'formerly belonged to' was mentioned, the word 'formerly' should be deleted and the verb altered to the present tense.

As the latter alteration would have been tantamount to denying the right of the Russian Government to nationalise property, objection was raised, and M. Cattier when applied to by M. Alphand declared that for his part he was content that the verb should be left in the past tense as this resolution was the result of an agreement and he was not prepared to go back on it. M. Benoist who had been sitting behind M. Alphand became very excited, and gave very audible instructions to M. Alphand to insist on the French reservation being put into the *procès-verbal* together with M. Cattier's explanation.

M. Alphand formally proposed this explaining that the French Government could not agree to any resolution which however indirectly admitted the right of the Soviet Government to nationalise foreign property; with this reserve the French experts were prepared to support the resolution.

<sup>1</sup> Of July 20 (N7008/646/38), not printed.

<sup>2</sup> In his telegram No. 95 (Unnumbered Hague telegram) of July 20 (N7006/646/38), Sir P. Lloyd-Greame transmitted the text of this resolution as follows: 'Conference recommends for consideration of governments represented thereon, desire of all governments not assisting their nationals in attempting to acquire property in Russia which belonged to other foreign nationals and confiscated since November 1st, 1917, without consent of such foreign owners or concessionnaires, provided that same recommendation is subsequently made by governments represented at Hague Conference to all governments not so represented and that no decision shall be come to except jointly with these governments.' In his previous telegram No. 94 (Hague telegram No. 52) of July 20 (N7009/646/38), Sir P. Lloyd-Greame had reported as follows: 'In proposing this resolution Monsieur Cattier announced that United States chargé d'affaires had written to him to the effect that since his government did not intend to modify its policy towards Russia no citizen of United States could receive support of his government in acquiring former property of foreign nationals in Russia.' Cf. *F.R.U.S.* 1922, vol. ii, pp. 822-4.

<sup>3</sup> See *Hague Conference*, pp. 429-49.

<sup>4</sup> See No. 203, n. 1.

The Italian Delegation also explained that they considered the resolution would protect present owners of concessions, whose property had never been owned by a foreign national, in case an attempt was made to deprive them of their concession and give it to some other foreign national.

The resolution was then agreed to. M. Plat[ij]n made a closing speech, after which Sir Philip Lloyd-Greame proposed a vote of thanks to the President, who having suitably replied declared the Conference closed.

## No. 206

*Russian Delegation (The Hague) to British Delegation (Received in Foreign Office, July 27)*

[N7182/646/38]

SCHEVENINGEN, le 21 juillet 1922

Le président de la délégation de Russie, présentant ses compliments à M. le président de la délégation de la Grande-Bretagne, a l'honneur de transmettre sous ce pli un exemplaire de l'aperçu sur la nouvelle législation de la R.S.F.S.R.

ENCLOSURE IN NO. 206.

### *Droits de Propriété et Droits personnels des Citoyens.*

Tant que durèrent l'intervention étrangère et le blocus, le Gouvernement russe fut obligé d'appliquer le régime qui, seul, malgré toute sa sévérité, était capable de protéger les intérêts vitaux de l'État. En l'absence d'une organisation administrative régulière, en face de l'opposition de nombreuses catégories de mécontents et d'une lutte incessante sur les fronts intérieurs et extérieurs, une stricte centralisation, une entière subordination des intérêts individuels à l'intérêt commun de la République en danger devaient inspirer toute l'activité législative et administrative du Gouvernement soviétiste dans la période de 1918-20. Cette période a pris fin il y a un peu plus d'un an.

A partir du printemps 1921, le Gouvernement russe a publié une série d'actes législatifs qui apportent des modifications radicales dans le domaine des droits de propriété et des droits personnels, dans les principes de l'activité administrative et judiciaire de l'État, et enfin dans toutes les branches de la vie économique. Cette nouvelle législation, qui embrasse également tous les citoyens habitant le territoire de la R.S.F.S.R., est basée sur l'initiative individuelle, dont on attend la restauration économique du pays, et, en ce qui concerne les droits personnels, sur la protection de la liberté individuelle dans le cadre d'une stricte légalité.

A partir de mars 1921, plusieurs actes législatifs ont rétabli dans le domaine du droit de propriété l'institut de la propriété privée et ont étendu en conséquence le champ de la capacité civile et de l'initiative privée dans le commerce et l'industrie. Une décision du Commissariat du Commerce

extérieur, en date du 22 mai 1922, consacrant les normes juridiques adoptées à diverses époques en attendant l'élaboration d'un code général de droit civil, garantit à tous les citoyens russes, indépendamment de toutes catégories, sociales ou autres, et aux sujets de tous les États étrangers se trouvant en relations normales avec la Russie, les droits suivants :

- (a) Le droit d'entreprise privée, industrielle et commerciale;
- (b) Le droit de propriété sur les constructions dans les villes et les campagnes, si ces constructions n'ont pas été municipalisées avant le 15 mai 1922, avec le droit de les aliéner;
- (c) Le droit de bâtir sur les emplacements communaux pour un délai de quarante-cinq ans;
- (d) Le droit de propriété sur les biens meubles de toutes sortes, y compris les capitaux, avec celui d'engager et d'hypothéquer tous biens meubles et immeubles.
- (e) Le droit de propriété littéraire, artistique et industrielle (marques de fabrique, dessins, modèles);
- (f) Le droit d'héritage jusqu'à 10,000 roubles or.

Le décret consacre ensuite la force obligatoire des contrats privés de toutes sortes, location, achats et ventes, troc, emprunt, prêt, entreprise, assurance, association, ou concernant les lettres de crédit et autres opérations de crédit en banque, et détermine les conditions générales dans lesquelles ces contrats et transactions sont valables. Enfin, le même décret règle la situation des personnes juridiques russes et étrangères (le droit de ces dernières à effectuer des opérations ou à réclamer la protection des tribunaux en Russie est déterminé conformément aux normes ordinaires du droit international privé) et établit le principe que les différends de droit civil privé sont résolus exclusivement dans les formes judiciaires. Le titre 6 du décret invite le Gouvernement à présenter à la prochaine session de l'organe législatif suprême un code de droit civil.

En ce qui concerne la défense de la propriété privée contre l'arbitraire des administrations ou des personnes et organisations privées, le Gouvernement a engagé dès le début de 1920 une lutte décidée contre les abus. Ensuite, une série de lois ont réduit de plus en plus le cercle des organes autorisés à opérer des expropriations forcées ainsi que la catégorie des biens pouvant être expropriés. D'après le décret actuellement en vigueur, du 17 octobre 1921, les autorités administratives locales sont privées en règle général du droit d'effectuer aucune espèce de réquisition ou de confiscation. Les réquisitions ne peuvent être faites que par les autorités centrales en la personne du Conseil du Travail et de la Défense. La confiscation n'est conservée que comme mesure pénale, qui ne peut être décidée que dans les formes judiciaires. Toutes les réquisitions entraînent obligatoirement le paiement au prix du marché de la valeur des objets réquisitionnés. Le décret détermine les catégories qui ne peuvent être expropriées en aucun cas (objets de ménage, &c.), la procédure de l'expropriation et les poursuites qu'encourent les diverses autorités en cas de violation de ces règles. A titre de complément

au droit commun, qui exclut déjà toute expropriation forcée, il faut noter la garantie spéciale, qui reste encore en vigueur, donnée aux concessionnaires étrangers par le décret du 23 novembre 1920, d'après lequel les biens du concessionnaire pendant la durée de la concession sont garantis contre toutes espèces d'aliénation forcée.

Le décret du 24 mars 1922, liquidant les réquisitions en masse des premières années de la révolution, régularise les relations entre les anciens propriétaires et les détenteurs actuels des biens ainsi expropriés. Dans deux cas ces biens sont conservés aux détenteurs actuels :

- (a) Lorsque ces biens ont été reçus par eux des organes gouvernementaux dans les formes établies ;
- (b) Lorsque est écoulée une prescription de deux ans.

Dans tous les autres cas, pour les biens qui ont été confisqués ou réquisitionnés après la promulgation du premier décret régularisant les réquisitions, en date du 16 avril 1920, les anciens propriétaires doivent être rétablis dans leurs droits ou indemnisés pour toute réquisition ou confiscation irrégulière.

Le décret du 4 avril 1922 autorise la libre circulation en Russie de l'or, platine, argent, travaillés ou en lingots, ainsi que des pierres précieuses. La remise obligatoire de ces objets ainsi que de la monnaie d'or et d'argent et des monnaies étrangères à la Banque d'État est abolie, cette banque conservant seulement le monopole de l'achat des monnaies étrangères et des monnaies d'or et d'argent. La libre exportation de tous ces objets, y compris les monnaies étrangères, est autorisée jusqu'à une somme de 50 roubles or, et au-dessus avec autorisation du Commissariat des Finances.

Afin de garantir la stabilité des relations civiles, le Gouvernement, par le décret du 20 mars 1922, met en vigueur un règlement sur les lettres de change qui est basé sur les principes généraux de la Convention de La Haye du 23 juillet 1912.

Dans la même intention, le Gouvernement a entrepris l'élaboration d'un règlement civil, dont une partie, le code de droit contractuel, a déjà reçu la sanction des autorités législatives.

Tous les actes ci-dessus énumérés ont donné aux droits individuels, qui pendant la période de 1917-20 avaient été rétrécis jusqu'à suppression complète, un solide fondement légal.

Cet élargissement de la sphère des droits de propriété privés a été suivie de modifications radicales dans les droits personnels des citoyens russes. Le nouveau système économique a permis de remplacer les prestations personnelles et les mobilisations du travail par la main-d'œuvre libre sur la base de contrats. La situation politique a permis de faire rentrer les organes administratifs, dans leurs rapports avec la population, dans le cadre d'une stricte égalité.

Depuis la suppression des commissions extraordinaires par la décision du Commissariat du Commerce extérieur en date du 6 février 1922, la sûreté politique est confiée au Commissariat de l'Intérieur, dont fait partie la direction politique. Les fonctions de cette dernière sont limitées à la lutte :

- (a) Contre les insurrections en armes et le banditisme;
- (b) Contre l'espionnage;
- (c) A la protection des voies de communication;
- (d) A la garde des frontières;
- (e) A la répression de la contrebande;
- (f) Enfin, à l'accomplissement des missions diverses données par le Commissariat du Commerce extérieur et le Conseil des Commissaires du Peuple.

A la différence des commissions extraordinaires, qui possédaient de très larges pouvoirs de répression extra-judiciaire et d'enquêtes, la direction politique est chargée seulement de poursuivre les crimes énumérés plus haut et de faire les enquêtes préliminaires sur ces mêmes crimes. Elle n'a aucun pouvoir de décision. Toutes les autres catégories de crimes politiques ne rentrant pas dans la liste ci-dessus sont hors de sa compétence et doivent être examinées dans l'ordre judiciaire commun. Le même décret renferme dans des limites précises le droit d'effectuer des arrestations, perquisitions et saisies chez les particuliers. Dans les deux semaines après l'arrestation opérée par la direction politique, une accusation précise doit être présentée au détenu, ou bien il doit être libéré. Nul ne peut être détenu plus de deux mois sans l'autorisation du Commissariat du Commerce extérieur, à moins que l'affaire ne soit portée devant les tribunaux ordinaires. Un décret du Commissariat du Commerce extérieur en date du 18 janvier 1922 enlève aux comités exécutifs provinciaux le droit d'arrêter les plaintes en cassation et les recours en grâce des individus condamnés à la peine suprême.

Des règles précises pour l'application des peines administratives, amendes, &c., largement employées par les autorités locales pendant les premières années du Gouvernement soviétique, ont été déterminées par le décret du Conseil des Commissaires du Peuple en date du 23 juin 1921. Les peines administratives servent à punir les contraventions contre les règlements locaux, et sont imposées par les bureaux des comités exécutifs de districts et par les collèges des sections administratives provinciales. Elles consistent :

- (a) Dans la privation de liberté ne dépassant pas deux semaines.
- (b) Dans les travaux publics sans privation de liberté pour un maximum d'un mois.
- (c) Dans l'amende jusqu'à 50,000 roubles.
- (d) Dans l'imposition d'une charge autre ou d'une somme d'argent en remplacement d'une charge non accomplie.

Les poursuites administratives ne sont plus autorisées que dans le mois suivant le délit. Elles sont exclues si le coupable est poursuivi en justice. Le décret détermine les formes dans lesquelles les décisions imposant quelque peine peuvent être attaquées devant les instances supérieures ainsi que la responsabilité des autorités qui ont imposé ces peines illégalement ou indûment.

Les garanties offertes aux citoyens sont encore complétées par la décision de la troisième session du Commissariat du Commerce extérieur instituant

une procurature chargée de veiller à la légalité des actes de tous les organes du pouvoir, administrations économiques, organisations publiques et privées. A la tête est placé, en qualité de procureur de la république, le Commissaire du Peuple à la Justice. Dans chaque province lui est directement subordonné un procureur, indépendant des autorités provinciales. En ce qui concerne la surveillance de la légalité, la procurature a le droit d'exiger de toutes les autorités, y compris la direction politique, tous les renseignements et matériaux nécessaires, même secrets, et d'attaquer toute ordonnance non conforme à la loi ou d'en demander la modification.

Tous les habitants de la R.S.F.S.R. ont actuellement le droit, toutes les limitations précédentes étant abolies, de se déplacer librement sur tout le territoire de la R.S.F.S.R. jusqu'aux limites de la zone frontière (décret du Commissariat du Commerce extérieur en date du 24 janvier 1922), ainsi que le droit de se rendre à l'étranger à moins d'empêchements légaux (poursuites judiciaires, &c.), tandis qu'auparavant les organes de la sûreté politique étaient seuls juges dans cette matière. Les mêmes droits sont étendus aux étrangers (décision du Conseil des Commissaires du Peuple en date du 10 mai 1922). Ont été abolies les mobilisations du travail (décision du Conseil du Travail et de la Défense en date du 12 octobre 1921 et décret du Conseil des Commissaires du Peuple en date du 3 novembre 1921). Chacun a pleine liberté de choisir sa profession et de changer de lieu de travail (décision du Conseil des Commissaires du Peuple en date du 6 avril 1921); depuis la dissolution des commissions contre la désertion du travail (décision du Conseil des Commissaires du Peuple en date du 14 décembre 1921), les affaires d'abandon arbitraire du travail sont remises à la compétence des organes judiciaires.

### *Réforme judiciaire.*

En mai 1922, la troisième du Commissariat du Commerce extérieur approuva le Code criminel, qui, depuis le 1<sup>er</sup> juin, est applicable dans tous les tribunaux de la république, et qui leur fournit des principes déterminés pour l'application des peines, une conception précise du droit criminel et une qualification juridique des divers crimes. Ce code est composé de 227 articles, et comprend: une partie générale:

1. Matières embrassées par le code;
2. Principes généraux pour l'application des peines;
3. Définition des peines;
4. Nature des peines et autres mesures de défense sociale;
5. Exécution des peines;

et une partie spéciale:

Chapitre 1: crimes contre l'État;

Chapitre 2: crimes commis dans l'exercice des fonctions publiques;

Chapitre 3: violation des règlements sur la séparation de l'Église et de l'État;

Chapitre 4: crimes contre l'ordre économique;

Chapitre 5: crimes contre les personnes;  
Chapitre 6: crimes contre les biens;  
Chapitre 7: crimes militaires;  
Chapitre 8: violation des règlements protégeant la santé, la sécurité et l'ordre public.

Les peines énumérées dans le code sont:

- (a) Le bannissement de la R.S.F.S.R. à terme ou à perpétuité;
- (b) La privation de liberté de six mois à dix ans, avec ou sans isolation;
- (c) Travaux forcés de sept jours à un an, sans privation de liberté;
- (d) Condamnation conditionnelle;
- (e) Confiscation des biens;
- (f) Amendes;
- (g) Diminution des droits;
- (h) Retrait de la fonction;
- (i) Mépris public;
- (j) Obligation de réparer le dommage commis.

Quant à la peine de mort, par l'article 33 elle est conservée à titre temporaire jusqu'à son abolition par le Commissariat du Commerce extérieur pour les crimes particulièrement graves contre l'État. L'entrée en vigueur du Code pénal met fin à la pratique précédente selon laquelle le juge se guidait sur sa conscience seule.

Un autre progrès de la réforme judiciaire a consisté à adopter le principe du débat entre les parties, principe actuellement manifesté par les lois des 26 et 28 mai 1922 sur la procureure et les avocats. Dans le domaine judiciaire les procureurs sont chargés:

- (a) De veiller directement à l'activité des services d'enquête et de la direction politique;
- (b) De soutenir l'accusation devant les tribunaux;
- (c) De veiller à la régularité des détentions.

Quant aux avocats, ils sont organisés auprès des sections provinciales de justice sous forme de 'collèges de défenseurs', autonomes dans leurs fonctions, dans leur règlement intérieur et dans leur recrutement. A la tête du collège est un bureau élu par lui, avec des fonctions administratives et professionnelles. Outre les membres du collège des défenseurs, sont admis à la défense les proches parents de l'accusé, les représentants des administrations et des organisations professionnelles.

Le 25 mai 1922 a été approuvé le nouveau code de procédure criminelle, consacrant le principe de l'égalité des parties dans le procès, comme le veut la science juridique. Ce code règle les questions de compétence, la composition des tribunaux, les parties, la réquisition, les preuves, les délais (Partie 1); les divers stades de l'information et de l'instruction préliminaire (Partie 2); la procédure dans les tribunaux populaires (Partie 3); dans les tribunaux révolutionnaires (Partie 4); dans le Commissariat de la Justice fonctionnant comme contrôle judiciaire suprême (Partie 5); enfin, l'exécution des sentences. Les précédents règlements sur les tribunaux populaires, les tribunaux

révolutionnaires, les tribunaux militaires et les tribunaux militaires révolutionnaires des chemins de fer sont abrogés dans toutes leurs parties intéressées. Le nouveau code de procédure entre en vigueur le 1<sup>er</sup> août 1922.

### *Les Lois agraires de 1922.*

La suppression des causes qui ont suscité l'intervention et le blocus a rendu inutile la conservation du régime économique qui en était découlé, et qui a subsisté jusqu'au printemps de 1921. Depuis cette date le Gouvernement s'est proposé avant tout de relever l'agriculture, d'améliorer la circulation monétaire et de régulariser le marché intérieur. Déjà le neuvième Congrès des Soviets à la fin de 1921 a décidé, tout en conservant le principe de la nationalisation du sol, d'asseoir sur des bases stables et régulières la jouissance agraire, dans les conditions répondant au niveau actuel de culture et de vie. La loi du 22 mai 1922, sur la jouissance agraire, donne aux communautés rurales le droit de choisir le mode de tenure qu'elles préfèrent: commune (avec partage égal périodiquement révisé), lotissement (avec jouissance fixée une fois pour toutes), association (communes agricoles, artèles ou sociétés), ou combinaison de formes diverses selon la nature des cultures. La terre ne peut être enlevée que dans les cas énumérés dans la loi:

- (a) Renonciation de tous les membres ayant capacité légale de l'exploitation;
- (b) Cessation complète de l'exploitation;
- (c) Disparition de toute la famille;
- (d) Émigration;
- (e) Sentence judiciaire pour les motifs indiqués dans la loi;
- (f) Expropriation dans les formes légales dans les cas d'utilité publique, contre assignation d'un lot équivalent et remboursement des pertes.

L'achat, la vente, le don et l'hypothèque des terres sont interdits; seulement en cas d'affaiblissement temporaire de la main-d'œuvre, la terre peut être louée pour un maximum de six à sept ans. Le travail salarié est toléré si en même temps travaillent tous les membres valides de la famille. Tous les terres se trouvant en la jouissance effective des cantons, villages et autres circonscriptions rurales à la date du 22 mai 1922, sont confirmées dans leur jouissance permanente. Cette loi, qui développe en trente-sept articles les principes ci-dessus, est complétée par une décision du Commissariat du Commerce extérieur en date du 24 mai 1922, remettant la solution des litiges agraires à des 'commissions' agraires spéciales, élues par les Congrès cantonaux des Soviets. Tous ces actes s'étendent sur tout le territoire de la R.S.F.S.R., Sibérie, Ukraine, Blanche-Russie et autres républiques alliées. L'organisation du territoire agricole pour toutes ces républiques est concentrée à Moscou dans un comité fédéral dont les décisions sont partout obligatoires (décision du Commissariat du Commerce extérieur du 11 mai 1922). Ainsi, la jouissance agraire dans toute la Russie reçoit des formes stables adaptées aux conditions d'existence actuelle.

Le neuvième Congrès des Soviets, entre autres mesures tendant au relèvement de l'agriculture, a entrepris avant les travaux des champs de 1922, la



refonte de toute la législation fiscale dans le sens de l'unification et de la simplification. Ainsi le décret du 16 mars 1922, entrant en vigueur le 1<sup>er</sup> août 1922, remplace les divers impôts en nature sur les produits agricoles par un impôt unique évalué en une mesure unique, le poud de seigle (dans certaines régions le poud de froment), lequel est versé en produits au choix du contribuable (farine, pommes de terre, viande, beurre, foin, graines oléagineuses), ramenés à l'unité de seigle (articles 1<sup>er</sup> et 2). Le taux de l'impôt pour chaque exploitation est fixé d'après l'étendue de la terre, le nombre du bétail et la récolte moyenne de la région (article 4). Sont exemptées les surfaces occupées par les cultures de graine fourragère, maïs, &c., ainsi que les exploitations se trouvant dans les localités affamées (articles 5-7). En cas de récolte moyenne ou supérieure à la moyenne, ces dernières exploitations ne versent que 30-50 pour cent de l'impôt normal (article 7). Des avantages sont faits aux exploitations dont les membres se trouvent au service militaire, sont invalides ou démobilisés, ainsi qu'aux exploitations ayant eu à souffrir des armées blanches (article 9). L'impôt doit être versé immédiatement après la récolte (article 15), pour le grain; les produits équivalents sont versés à des dates fixées, selon les particularités régionales, par le commissariat de l'approvisionnement.

Une décision du Conseil des Commissaires du Peuple, en date du 8 mai 1922, abolit le monopole d'État sur les moyens de production agricole (outils, machines, semences, &c.) qui deviennent objet de libre échange, sans préjudice cependant des règles générales pour l'importation des instruments agricoles de l'étranger.

Toutes les limitations au commerce des produits agricoles avaient été levées dès le printemps de 1921. Néanmoins, l'unité de production agricole, l'exploitation paysanne, est trop faible pour trouver elle-même des ressources lui permettant de se relever et de se développer. Aussi le neuvième Congrès des Soviets pose-t-il comme un des buts essentiels de la politique agraire l'encouragement de la coopération agricole et des coopératives de crédit, principalement de celles qui recherchent le développement de la production, l'amélioration du sol et le perfectionnement des méthodes de culture (Recueil des Lois, 24 février 1922, No. 5, article 48). Les mesures législatives créant des conditions favorables à cette coopération avaient déjà été prises en 1921 (décrets des 7 juillet, 26 octobre 1921 et 24 janvier 1922).

### *Loi sur l'Industrie.*

Le décret du 10 décembre 1921 met fin aux nationalisations. Dès lors, la nationalisation en masse est interdite et tous les propriétaires d'entreprises visées par la décision du C.S.E.N. du 29 novembre 1920, mais non nationalisées à la date du 17 mai 1921, sont immédiatement rétablis dans leurs droits. Le décret donne ensuite les caractéristiques montrant que la nationalisation a réellement été effective, ainsi que les conditions de la dénationalisation des petites entreprises.

Le décret du Conseil des Commissaires du Peuple sur la petite industrie et l'industrie campagnarde en date du 7 juillet 1921, article 8, abolit toutes les

dispositions antérieures entravant le développement de cette industrie. L'article 1<sup>er</sup> déclare que 'chaque citoyen peut librement s'adonner à la petite industrie et organiser une petite entreprise industrielle'. Les autres articles donnent un règlement précis à la petite industrie; le remarque à l'article 1<sup>er</sup> interdit, sans cependant aucune sanction pénale, de posséder plus d'une entreprise; l'article 2 fixe un maximum de vingt ouvriers au delà duquel l'entreprise sort de la catégorie de la petite industrie; l'article 5 contient une disposition garantissant à l'avenir les petites entreprises contre toute nationalisation ou municipalisation, réquisition ou confiscation; l'article 6 étend aux petites entreprises toutes les lois concernant le travail salarié.

En vertu du décret du Conseil des Commissaires du Peuple du 1<sup>er</sup> décembre 1921 sur la remise en ferme des entreprises d'État, les coopératives et individus reçoivent le droit d'affermier des entreprises de l'État pour les exploiter (un droit préférentiel étant accordé aux coopératives, en cas d'égalité des autres conditions). Les contrats de ferme sont approuvés par les bureaux de C.S.E.N., sauf pour les entreprises d'importance locale, qui peuvent être cédées par le Conseil d'Économie nationale provincial (articles 2 et 3). Les lois et dispositions sur le travail salarié dans les entreprises privées sont étendues aux entreprises affermées (article 4). Le contrat de ferme ne peut être résilié avant terme que par sentence judiciaire (article 6).

Le fermier, civilement et judiciairement responsable de la conservation des biens affermés (article 5), jouit d'une pleine liberté dans l'exploitation ainsi que dans la vente des produits (article 7), et l'État de son côté est libre de tout engagement quant à l'approvisionnement de ces entreprises et de leurs ouvriers (article 8). Les fermiers peuvent obtenir du Commissariat du Commerce extérieur le droit d'acquérir à l'étranger des objets d'équipement et d'approvisionnement (article 8). Conformément à la circulaire joint au décret, les étrangers sont admis comme fermiers dans les mêmes conditions que les citoyens russes (remarque à l'article 3). La même circulaire prescrit d'encourager par ce moyen l'initiative des personnes privées sans exclure les anciens propriétaires (article 3).

L'impôt sur l'industrie et le commerce établi par le décret du Commissariat du Commerce extérieur du 3 février 1922 frappe toutes les entreprises commerciales et industrielles non nationalisées ainsi que les métiers isolés, sauf ceux qui sont accessoires à une exploitation agricole (articles 1<sup>er</sup> et 2) et ceux de caractère non commercial qui sont exercés par un seul individu (article 5). Cet impôt comprend un droit de patente fixé pour les entreprises industrielles de 4 à 1,000 roubles d'avant-guerre en douze catégories, et pour les entreprises commerciales de 4 à 400 roubles d'avant-guerre en cinq catégories —et un droit proportionnel fixé par les commissions d'imposition d'après le chiffre d'affaires moyen de chaque entreprise (article 10). La fabrication et le commerce des objets de luxe sont frappés de droits complémentaires :

- (a) Cinquante pour cent du droit de patente pour les entreprises industrielles, et 100-250 pour cent pour les entreprises commerciales;
- (b) En plus, 6-12 pour cent du droit proportionnel, d'après la catégorie.

Le rétablissement de l'industrie d'État, c'est-à-dire de la grande industrie

qui reste dans la gestion immédiate de l'État, a demandé la majeure partie des ressources gouvernementales. Pour assurer sa marche régulière, on a réduit au minimum le nombre des entreprises laissées à la charge de l'État en supprimant celles dont le fonctionnement ne présente pas avantage pour l'État (circulaire du C.S.E.N. No. 33 du 16 septembre 1921).

Une large autonomie est garantie aux entreprises d'État et à leurs groupements en ce qui concerne la disposition des ressources qui leur sont accordées par l'État. Les entreprises d'État sont groupées en trusts et en syndicats, comprenant plusieurs entreprises du même type ou se complétant les unes les autres, par province, territoire ou pour toute la Russie (circulaire du C.S.E.N. du 12 décembre 1921). Ces groupements sont subordonnés au C.S.E.N. par l'intermédiaire des directions centrales (ou territoriales), qui remplissent uniquement des fonctions de contrôle général et de financement.

En ce qui concerne leur approvisionnement, les entreprises d'État ou bien reçoivent de l'État toutes les ressources nécessaires contre tout ou partie de leur production ou bien contre argent, ou bien réalisent leur production sur le marché. Les entreprises à la charge de l'État n'ont le droit de réaliser ainsi qu'une partie de leur production conformément au plan d'opération approuvé et dans la mesure nécessaire pour compenser l'insuffisance des ressources délivrées par l'État (décret du Conseil des Commissaires du Peuple du 4 octobre 1921 et décision du Conseil des Commissaires du Peuple du 27 octobre 1921).

Les entreprises d'État ayant la possibilité de s'adresser au marché privé sont également autorisées à faire des opérations de commerce entre elles. Elles peuvent avoir à cet effet des dépôts de marchandises, des magasins et comptoirs. Tous les comptes entre entreprises d'État sont réglés par chèque, sur les succursales de la Banque d'État ou par paiements directs en argent (décision du Conseil des Commissaires du Peuple du 30 mars 1922). A cet effet également le C.S.E.N. et les Conseils d'Économie nationale des provinces possèdent des sections commerciales, des bourses de marchandises, avec une bourse centrale de marchandises à Moscou fonctionnant par accord entre le C.S.E.N. et le Centrosoïous. Cette bourse se propose d'enregistrer les offres et demandes des services et entreprises d'État, ainsi que des coopératives et de régulariser ainsi les opérations commerciales. Elle fournit à ses membres et à ses visiteurs les commodités techniques nécessaires pour le commerce, elle recueille et publie les renseignements concernant les prix, la situation de l'industrie et des marchés, les transports, les stocks, &c. Elle règle les litiges soulevés par les transactions. Sont membres de cette bourse le bureau du C.S.E.N., la Direction du Centrosoïous, tous les services économiques, les trusts et entreprises isolés du C.S.E.N. et du Centrosoïous, les économats des administrations locales et centrales. A cette bourse est annexée une Commission d'Arbitrage pour régler les différends résultant des opérations commerciales.

#### *Commerce.*

*Commerce intérieur:* Le décret du 19 juillet 1921, autorisant tous les citoyens

à vendre et acheter les produits, objets et marchandises de toutes sortes, soumettait l'ouverture des entreprises commerciales à un régime d'autorisation. Ce régime a été aboli par la loi du 8 mai 1922, actuellement en vigueur, qui exige seulement, après l'ouverture de l'établissement, l'enregistrement de la patente par le Commissariat de Police du quartier. Cet enregistrement ne peut pas être refusé et doit se faire immédiatement (remarque 1 à l'article 2).

Le régime de l'autorisation ne subsiste que pour le commerce des vins (remarque 2 à l'article 2), lequel est régi par le décret du 9 août 1921. Le Code pénal punit le commerce des articles interdits, la coalition entre commerçants et le recel des marchandises dans un but de spéculation (Code pénal, article 37).

Les prix établis par le Comité des Prix du Commissariat des Finances ne valent que pour les marchandises délivrées par les entreprises d'État.

Le 26 juin 1922, le Commissariat du Commerce extérieur a approuvé un règlement sur la foire du Nijni-Novgorod exemptant de tout impôt ou droit, autre que l'impôt pour les affamés, les opérations commerciales de tous individus ou organisations conclues dans cette foire du 1<sup>er</sup> août au 15 septembre. La foire est gérée par un comité composé des représentants des entreprises d'État et des coopératives et de cinq représentants du commerce privé.

*Commerce extérieur:* Le commerce extérieur est un monopole d'État exercé par le Commissariat du Commerce extérieur. En ce qui concerne l'exportation, ce Commissariat réalise sur les marchés étrangers les denrées qui lui sont remises par les services de l'État ou qui ont été rassemblées par lui-même, ainsi que, à titre de commission, les marchandises remises par les organisations d'État et les coopératives sur la base de contrats. Le Commissariat du Commerce extérieur a le droit de délivrer, après approbation préalable, aux entreprises d'État, coopératives et autres organisations ou individus, des autorisations pour négocier directement sur les marchés étrangers. Le Centrosoious a cependant le droit de faire des opérations à l'étranger sans demander l'autorisation. En ce qui concerne l'importation, les demandes faites par les entreprises d'État au compte du plan d'importation national sont exécutées par les représentations du Commissariat à l'étranger, avec la participation des experts des services intéressés ou par ses services directement après approbation des achats par le Commissariat. Le Centrosoious a le droit de faire ses importations par transactions directes avec les sociétés coopératives d'achats en gros ou coopératives de consommation, et possède à cet effet ses représentants à l'étranger. Le Commissariat du Commerce extérieur est en outre chargé de l'organisation des sociétés par actions, russes, étrangères ou combinées, ayant pour but l'emploi du capital étranger pour le rassemblement des denrées d'exportation, pour leur écoulement à l'étranger et pour les importations en Russie.

Les stipulations ci-dessus forment la matière du décret du Commissariat du Commerce extérieur du 13 mars 1922, qui en outre donne les principes suivants pour la formation de ces sociétés.

Ces sociétés sont instituées à la fois pour le commerce en général et pour

l'exercice de telle ou telle forme de commerce. Dans leurs opérations elles peuvent utiliser à l'intérieur du pays et à l'étranger les organes du Commissariat du Commerce extérieur ou créer leur appareil propre. Elles peuvent organiser et exploiter des entreprises industrielles pour la mise en œuvre des denrées d'exportation. Des sociétés analogues peuvent être instituées par d'autres organes économiques que le Commissariat du Commerce extérieur, mais fonctionnant sous le contrôle de ce dernier.

En vertu du décret ci-dessus, le monopole d'État est entièrement conservé dans la nouvelle situation juridique du commerce, mais le rôle de l'État est limité à la régularisation d'ensemble des opérations extérieures et à la formation des sociétés par actions.

La décision du Commissariat du Commerce extérieur du 2 mars 1922 met en vigueur un nouveau tarif douanier applicable aux importations sur toute la frontière européenne de la R.S.F.S.R., des Républiques blanche-russienne et ukrainienne, y compris les ports de la mer Noire, et sur la frontière de la République extrême-orientale. Les droits sont évalués en or et perçus en or russe, en or étranger au taux d'avant-guerre, en billets de banque étrangers ou en monnaie russe actuelle à un cours spécial établi d'après le cours du rouble soviétiste sur le marché libre. Le tarif douanier, qui reproduit dans son ensemble celui de 1903, lui est cependant sensiblement inférieur, surtout pour les denrées alimentaires et les instruments agricoles, soumis seulement pour la plupart à des droits d'enregistrement. La loi du 9 mars autorise cependant le Gouvernement à relever les tarifs de 100 pour cent pour les marchandises importées des pays n'ayant pas conclu d'accord commercial avec la R.S.F.S.R., ou ayant contrevenu à l'accord déjà conclu.

La loi du 9 mars prévoit en outre l'exemption de douane pour les objets adressés aux représentations diplomatiques étrangères, pour les bagages des Russes rapatriés, les vivres des équipages des bateaux, le matériel roulant, les emballages, &c. Les exemptions diplomatiques sont exactement définies par la décision du Conseil des Commissaires du Peuple du 21 mai 1922, abrogeant tous les décrets et circulaires antérieurs. Les bagages personnels des membres des représentations diplomatiques, s'ils arrivent en Russie en même temps qu'eux, sont exempts de droits et de visites sans limitation de quantité. Ces mêmes bagages, s'ils sont adressés aux chefs des missions diplomatiques, sont exempts de droits jusqu'à concurrence de 20,000 roubles or par an. Les bagages des autres membres des missions diplomatiques n'accompagnant pas ces membres, mais seulement adressés à eux, sont soumis aux droits ordinaires de douane. Le poids maximum des courriers diplomatiques est fixé à 16 kilogrammes par semaine. Toutes ces stipulations sont subordonnées à la condition de la réciprocité et aux articles spéciaux des divers traités.

Le tarif douanier pour les exportations, approuvé par le Conseil des Commissaires du Peuple le 3 juin 1922, renferme la liste des marchandises frappées de droits à la sortie, ainsi que de celles dont l'exportation est interdite. Par l'article 1<sup>er</sup> il est interdit d'exporter le blé en grains ou en farine, la pomme de terre, les pois et haricots, la betterave à sucre, les tourteaux et les produits dérivés de la farine.

### *Concessions.*

Le décret du Conseil des Commissaires du Peuple du 23 novembre 1920 sur les conditions générales, économiques et juridiques des concessions, qui est encore actuellement en vigueur, spécifie que :

1. Le concessionnaire sera rémunéré par un prélèvement, déterminé dans le contrat, sur la production, avec droit d'exportation.
2. En cas de perfectionnements techniques importants, le concessionnaire recevra des avantages commerciaux (comme contrats de commandes importantes, achats de machines, &c.).
3. Selon le caractère et les conditions de la concession, il sera accordé à cette concession une durée plus ou moins prolongée garantissant la rémunération complète des risques et des moyens techniques investis dans la concession.
4. Le Gouvernement de la R.S.F.S.R. garantit les biens du concessionnaire investis dans son entreprise contre toute nationalisation, confiscation ou réquisition.
5. Le concessionnaire aura le droit de recruter des ouvriers et employés pour ses entreprises sur le territoire de la R.S.F.S.R., à condition d'observer le code du travail ou un contrat spécial garantissant aux ouvriers et employés des conditions déterminées de travail et la protection de leur vie et de leur santé.
6. Le Gouvernement de la R.S.F.S.R. garantit aux concessionnaires que les conditions du contrat de concession ne seront jamais modifiées de façon unilatérale par les ordonnances ou décrets du Gouvernement.

Telles sont les bases devant servir à tous les contrats de concessions approuvés par le Gouvernement en la personne du Conseil des Commissaires du Peuple et constituant des lois spéciales. Pour cette dernière raison, les stipulations du contrat abrogent les articles de la loi commune qui leur sont contraires. Pour tout le reste, le concessionnaire reste soumis à la loi commune et jouit de tous les droits impartis à l'industrie et au commerce privé, à moins que des droits plus étendus ne lui soient reconnus dans son contrat.

Les autres conditions plus précises sont l'objet des divers contrats de concession et ne peuvent être prévues par loi législative.

### *Les Principes généraux dans les Questions du Travail.*

Les principes généraux dans les questions du travail adoptés par le Gouvernement le 16 septembre 1921, ont modifié d'abord le système des tarifs dans le sens du maximum de simplification, en séparant des salaires tout ce qui n'est pas lié à la production et porte un caractère d'assistance sociale, et en augmentant ce salaire proportionnellement à l'augmentation du rendement. Toute tendance à l'égalisation est abandonnée et tout ce que reçoit l'ouvrier lui est remis exclusivement par l'entreprise où il travaille.

Les principes adoptés par les organes politiques et professionnels dirigeants au début de 1922 quant à l'activité actuelle des syndicats ont abrogé la participation obligatoire aux syndicats de tous les salariés qui étaient en

vigueur depuis le deuxième Congrès panrusse des Syndicats (1918). Ces principes reconnaissent 'la nécessité de réaliser de façon catégorique la participation volontaire soit individuelle, soit collective'. Quant aux rapports entre les syndicats et les entrepreneurs, le nouveau règlement déclare que 'toute ingérence directe des syndicats dans l'administration des entreprises doit être estimée absolument nuisible et inadmissible'. Ce règlement est depuis lors résolument appliqué. De même, les fonctions gouvernementales de protection du travail (inspection du travail, inspection sanitaire et technique, &c.), qui auparavant étaient confiées au Conseil panrusse des Syndicats et aux divers syndicats, ont été remises entièrement, par une décision du Commissariat du Commerce extérieur en date du 13 avril 1922, au Commissariat du Travail.

Les conditions de travail dans les entreprises industrielles sont régies par de nouveaux règlements, d'après lesquels les ouvriers et employés sont embauchés exclusivement par les bourses du travail (décision du Commissariat du Commerce extérieur du 3 mars 1922), avec contrat collectif ou individuel.

La durée normale de la journée de travail est fixée à huit heures le jour et sept heures la nuit, durée qui est réduite pour les travaux pénibles ou malsains. Dans l'intérêt de l'industrie le syndicat peut autoriser la journée de huit heures la nuit, avec une heure au tarif des heures supplémentaires. La durée normale de la journée de travail dans les bureaux est de six heures le jour et cinq heures la nuit. La journée de six heures existe également pour les adolescents (16-18 ans). Les enfants de moins de 16 ans ne peuvent pas être admis au travail, et les adolescents ne peuvent pas être admis au travail de nuit.

Les heures de travail des ouvriers de certaines catégories peuvent être divisées en plusieurs parties de longueur variable pourvu qu'il n'y ait pas plus de deux interruptions par jour et que la durée du travail dans la mois ne dépasse pas le nombre normal des heures de travail.

Il doit être accordé sur la journée de travail normale une interruption d'une demi-heure à deux heures.

*Normes de Production:* Pour chaque catégorie de travailleurs des commissions spéciales dans chaque entreprise fixent les normes de production obligatoires pour chaque groupe pendant l'unité de temps. Ceux qui n'ont pas exécuté la norme subissent une réduction proportionnelle sur leur salaire, mais ne pouvant pas dépasser un tiers du tarif normal, sinon avec l'autorisation de la commission. Les ouvriers qui systématiquement n'exécutent pas la norme peuvent être transportés dans une catégorie inférieure et, en cas de négligence ou mauvaise volonté, le coupable peut être renvoyé sans avertissement ni compensation.

La répartition dans les catégories de salaires est faite par une commission paritaire d'ouvriers et de représentants de l'entrepreneur. Les ouvriers exécutant un travail demandant une connaissance ou une préparation spéciale sont payés selon la catégorie supérieure, même s'ils n'ont pas de diplôme ou de certificat correspondant. L'inscription dans telle ou telle catégorie n'a lieu qu'après épreuve.

Les ouvriers et employés permanents sont payés au moins deux fois par mois. Ce paiement est versé en argent, sauf une partie qui, avec le consentement du syndicat, peut être versée en denrées alimentaires [à] prix coûtant. Le travail peut être payé à la pièce et avec application du système des primes.

Les heures supplémentaires ne sont autorisées que dans les cas exceptionnels et sont payées selon un tarif supérieur au tarif normal.

En cas d'arrêt temporaire d'une entreprise ou d'un atelier, les ouvriers et employés non occupés à d'autres travaux pendant ce temps continuent à recevoir les  $\frac{2}{3}$  de leur salaire normal, sans distinguer s'ils étaient payés à l'heure, à pièce ou aux primes. Après deux semaines d'arrêt de l'entreprise, les ouvriers et employés ont le droit de se faire régler. Dans ce cas, l'entreprise doit leur payer une compensation de deux semaines d'avance.

Les déplacements ne sont autorisés qu'avec le consentement des intéressés et entraînent une indemnité et des frais de route.

Tous les travailleurs ont un repos hebdomadaire de, au moins, quarante-deux heures de suite.

Le contrat collectif, qui n'est pas une règle obligatoire, ne résout pas tous les conflits possibles. Une décision du Conseil des Commissaires du Peuple charge de leur solution le Commissariat du Travail (à l'exception des concessions, si le contrat de concession stipule que les conflits doivent être résolus par l'arbitrage). En cas de contrat collectif, la première instance sont les commissions paritaires des entreprises; ensuite la question est portée devant le syndicat. En l'absence de contrat collectif, la première instance est le syndicat. Les décisions peuvent être attaquées devant le Commissariat du Travail, qui, comme ses organes locaux, constitue des commissions des conflits composées de représentants du Conseil panrusse des Syndicats et des Commissariats du Travail et de Justice.

La décision du Conseil des Commissaires du Peuple du 27 avril 1922, établissant des pénalités et une procédure spéciale pour la violation des lois sur le travail, a été abrogée par l'entrée en vigueur du Code pénal (article 2 de la loi sur l'entrée en vigueur du Code pénal).

La législation du travail se trouve dans une période de transition. Beaucoup de règlements datant de 1918 et 1912 ont été abrogés par les décisions mentionnées plus haut. Un code destiné à remplacer le Code du Travail de 1918 sera prochainement soumis aux autorités législatives.









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